

**IMPACT OF MERGERS AND ACQUISITIONS ON PROFITABILITY
POSITION OF NEPALESE COMMERCIAL BANKS**

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by

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CERTIFICATE OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Impact of Mergers and Acquisitions on Profitability Position of Nepalese Commercial Banks**”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of this dissertation.

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REPORT OF RESEARCH COMMITTEE

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We, the undersigned, have examined the dissertation entitled “**Impact of Mergers and Acquisitions on Profitability Position of Nepalese Commercial Banks**” presented by Rupa Rana a candidate for the degree of Master of Business Studies (MBS Semester) and conducted the viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

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TABLE OF CONTENTS

	Page No.
<i>Title Page</i>	<i>i</i>
<i>Certificate of Authorship</i>	<i>ii</i>
<i>Report of Research Committee</i>	<i>iii</i>
<i>Approval Sheet</i>	<i>iv</i>
<i>Acknowledgments</i>	<i>v</i>
<i>List of Tables</i>	<i>viii</i>
<i>List of Figure</i>	<i>ix</i>
<i>Abbreviations</i>	<i>x</i>
<i>Abstract</i>	<i>xi</i>
CHAPTER I: INTRODUCTION	1
1.1 Background of the study	1
1.2 Statement of the problem.....	4
1.3 Objective of the study	5
1.4 Rationale of the study	5
1.5 Limitation of the study	6
CHAPTER II: REVIEW OF LITERATURE	7
2.1 Theoretical review	7
2.1.1 Concept of Merger and Acquisition	7
2.1.2 Theories on Merger and Acquisition.....	8
2.1.4 Merger by Law 2011, Nepal Rastra Bank.....	13
2.1.5 Guidelines and Conditions for opting Merger Bylaws, 2011.....	13
2.1.6 Major Provisions of Merger Bylaws 2011	14
2.2 Empirical Review	15
2.3 Research Gap	31

CHAPTER III: RESEARCH METHODOLOGY	32
3.1 Research design	32
3.2 Population, Sample and sampling design	32
3.3 Nature and Sources of data	33
3.4 Instrument of Data collection	34
3.5 Methods of Analysis	34
3.6 Research Framework and Definition of Variables	39
CHAPTER IV: RESULT AND DISCUSSION	42
4.1 Financial indicators of Banks before and after the mergers	42
4.2 Descriptive summary of the Variables	50
4.3 Correlation Analysis	53
4.4 Regression Analysis	57
4.4 Discussion.....	62
CHAPTER V: SUMMARY, CONCLUSION AND IMPLICATIONS	66
5.1 Summary.....	66
5.2 Conclusion	67
5.3 Implications	68

Reference

Appendices

LIST OF TABLES

Table 1 : Merger waves	13
Table 2 : Summary of International articles	23
Table 3 : Selected Banks	33
Table 4 : Comparative pre- and post-merger performance analysis of NMB Bank Ltd	43
Table 5 : Comparative pre- and post-merger performance analysis of Prabhu Bank Ltd.	44
Table 6 : Comparative pre- and post-merger analysis of Bank of Kathmandu ltd.	45
Table 7 : Comparative pre- and post-merger analysis of Nepal Investment Bank Ltd.	46
Table 8 : Comparative pre-and post-merger analysis of Nepal Credit and Commerce Bank Ltd.	47
Table 9 : Comparative pre-and post-merger analysis of Global IME Bank Ltd.	48
Table 10 : Comparative pre-and post-merger analysis of Prime Commercial Bank Ltd.	49
Table 11 : Descriptive Statistics of Sampled Banks before merger	51
Table 12 : Descriptive Statistics of Sampled Banks after merger	52
Table 13 : Correlation Matric of sampled banks before merger period	53
Table 14 : Correlation Matric of sampled banks after merger period	56
Table 15 : Model summary	58
Table 16 : ANOVA Table	59
Table 17 : Coefficients Table	59
Table 18 : Model Summary	60
Table 19 : ANOVA Table	61
Table 20 : Coefficients Table	61

LIST OF FIGURE

Figure 1 : Research Framework.....	39
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ABBREVIATIONS

BFI	:	Bank and Financial Institutions
BOD	:	Board of Directors
CAR	:	Capital Adequacy Ratio
DEA	:	Data Envelopment Analysis
DPS	:	Dividend Per Share
DY	:	Dividend Yield
EPS	:	Earning Per Share
EY	:	Earning Yield
LOI	:	Letter of Intent
Ltd.	:	Limited
MOU	:	Memorandum of Understanding
MPS	:	Market Price Per Share
N	:	Number of Observations
NPAT	:	Net Income available to equity shareholders
NPL	:	Non-Performing Loan
NPM	:	Net Profit Margin
NRB	:	Nepal Rastra Bank
OLS	:	Ordinary Least Square
PE ratio	:	Price Earning Ratio
ROA	:	Return on Assets
ROE	:	Return on Equity
S.D.	:	Standard Deviation
SPSS	:	Statistical Package for Social Sciences

ABSTRACT

The objectives of the study focus on the impact of mergers and acquisitions on the profitability position of selected commercial banks in Nepal. It outlines the significance of merger and acquisitions as a strategy for banks to enhance their competitiveness and financial stability in a rapidly evolving market. The study aims to evaluate the liquidity and profitability of these banks before and after merger and acquisitions, examining various financial metrics such as Return on Assets (ROA), Earnings per Share (EPS), Market Price per Share (MPS), Dividend per Share (DPS), and others. The study takes a seven commercial banks like NMB Bank Ltd., Prabhu Bank Ltd., Bank of Kathmandu Ltd., Nepal Investment Bank Ltd., Nepal Credit and Commerce Bank Ltd., Global IME Bank Ltd. And Prime Commercial Bank Ltd. as a sample bank to find out the existing positions of these banks before and after the merger.

The study employs a quantitative approach, utilizing the secondary data from financial reports of the selected banks over a ten-year period, covering five years prior and after the mergers from 2013 to 2023. Key findings indicate that while some banks experienced improvements in certain financial indicators post-merger, others faced challenges such as decreased profitability and market confidence. The study highlights the mixed results of mergers and acquisitions on bank performance, emphasizing the need for good consideration of the factors influencing the success of these transactions. For instance, while some banks like Global IME Bank experienced a slight decrease in ROA while other bank like Prime Commercial Bank saw a decline in profitability, EPS also displayed variability. The Price to earnings ratio showed improvements in valuation for certain banks, while Earning Yield increased indicating better earning potential. However, the Non-Performing Loans ratio rose for some institutions, suggesting heightened credit risk, and Net Profit Margin decrease, reflecting challenges in cost management. Furthermore, Return on Equity declined for several banks, signaling lower return on shareholders. Overall, the findings underscore the complex nature of merger and acquisitions outcomes, where the financial performance of merged entities can vary significant, emphasizing the necessity for strategic evaluation and planning in such corporate activities.

Keywords: Merger and Acquisition, Financial Performance, Pre-merger and Post-merger

CHAPTER-I

INTRODUCTION

1.1 Background of the Study

Mergers and Acquisition are defined as important tool for growth in the corporate world. They include buying, selling, splitting and merging different businesses and are used for different purposes depending on the strategy adopted by the business. Merger and Acquisition is seen as a corporate strategy where businesses seek to create value despite fierce competition and want to reduce costs, gain global scale and exploit economies of scale (Adegbie, 2024) .

A Merger and Acquisition are a business transaction whereby one company or business organization, or one of its operating units, buys or merges with another company or business organization. A merger is where two or more companies join into one entity. Merger and Acquisition has emerged as one among several ways new businesses can pursue rapid growth beyond organic growth. This strategy also gives companies a good chance to consolidate their strengths at a global level and react competitively. Mergers and Acquisitions is part of the corporate restructuring process which can be in the form of forward integration or backward integration (Depamphilis, 2018).

In the present globalized world, Merger and Acquisitions have emerged as a most preferred long-term strategy for corporate restructuring and strengthening in the light of the increasing level of competition. The banking industry is very important to country's economic growth and development. Merger and Acquisitions in the banking sector allows bank to search out new opportunities and obtain strategic advantage on financial markets as well as expand their customer base. The banking industry has changed dramatically due to the Globalization, economic deregulation and technological advancement. With the fast-changing environment, the banking industry is using consolidation, corporate restructuring and strengthening to stay efficient and viable. Merger and Acquisitions is one of the distinctive strategies adopted by different companies over the world to compete in a challenging and dynamic business environment (Hunjra, 2014).

Merger and acquisitions are widely used to increase market share, improved overall productivity and profitability, expanding branch network, increase capital base, rationalization of the cost, taking advantages of economies of scale and manpower

efficiency. Merger and Acquisition can still be motivated by such classic commercial and economic considerations as broadening the range of related products and the geographical market, diversification, and the risks benefits of vertical integration.

Merger and Acquisition is now recognized for being a common management move, although research over many years has revealed that there is a consistent failure rate of 30-50 percent (Booz and Hamilton, 1985). However, it was shown that 80 percent of the acquisitions were effective in the recent research, which comprised 314 companies from numerous European countries. That's what report stated Merger and Acquisition is certainly not a corporate objective in itself however is method of accomplishing for corporate objective albeit the consequences of study show that Merger and Acquisition goals are geared to the company's perceivability in its business sectors rather than hard edged economic return (Hussey, 1999).

While considering the banking sector, it is no exemption for be impacted by the wave of merger and acquisition. Worldwide merger and acquisition in banking sectors have driven to the concentrate on determinants of these Merger and Acquisition activities and decision (as exercises are the execution of choices). The review led by the (Novickyte and Pedroja, 2015) have demonstrated the way that the cause of banks merger and acquisitions can be placed into three categorized: maximization of bank's assets/return, trying to satisfy selfish ambitions of bank's administration, and factors that establish a positive climate for such transaction to take place.

Hence, Merger and Acquisition have become a corporate strategy enables a financial institution to strengthen its core competencies. Merger and Acquisition benefited the financial institutions to fulfill the capital requirements and achieve efficiency through economies of scale. Merger and Acquisition is the key to make the financial stability strong by strengthening financial institutions. After the implementation of merger and acquisition policy the number of BFIs involved in merger and acquisition has been increasing.

Financial Performance refers to the evaluation and measurement of how well a business or organization manages its financial resources and achieves its financial goals. In broader sense, financial performance means to the degree to which financial objectives being or has been accomplished by performing financial activity. It is the process of measuring the results of firm's policies and operation in monetary terms and also measure

firm's overall health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

Financial Performance can be described as a measurement of how well a firm uses its assets from its primary mode of business to generate revenue. It involves analysis of various financial metrics and indicators to assess the efficiency, profitability and overall health of an entity's financial performance over a given period of time and can be used to compare industries as sectors in aggregation. Financial Performance is considered as the overall measure of a firm's financial health position over a given period of time and is used to measure the efficiency of the firm's utilization of its assets to generate revenues (Pandey, 2008).

Ratio Analysis is the important tool in financial analysis and decision making and also provides valuable insight into an organization's financial performance, helping stakeholders make informed choices, identify areas for improvement and track progress toward financial goals. Hence, Ratio analysis of a company's past and present performance provides the foundation of making forecast of future performance.

Merger and Acquisition is an important financial tool that enables companies to grow faster and provides return to owners and investors. The potential economic benefits of economies of scale, increased market share, diversification, synergy realization, risk mitigation are provided by merger and acquisition which increase the value of a company. The reason behind merger and acquisition are to improve financial performance of a company in form of revenue and profitability, faster strategic growth, quicker time to market, enhancing competitive position and accessing new technologies. This is why Merger and Acquisition is considered as effective methods of improving the corporate performance.

The research conducted in Pakistan conclude that the impact of merger and acquisition on post-merger life of company have captured positive change in the share price of five companies and negative impact in the share price of the two companies have been found after the one month of merger. Overall, the results indicate that Merger and Acquisition positively affect the share of companies (Fatima & Shehzad, 2014).

It is perceived that; merger will result in newer and larger organizations which are supposed to be efficient in allocating resources i.e. human and capital and maximize the output gains. It is trusted that the bigger banks, with additional assets can offer more

products and services at lesser working cost i.e. at economies of scale. However, the apparent addition doesn't happen, at least not to the extent that us perceived. A portion of veritable effects or impact of mergers on the banking industry can be seen all around the world, which has been the diminished accessibility of credits to the customer's base after merger. It is fundamentally a direct result of decline in competitiveness in prohibiting industry and expansion in the interest rates above reasonable level. Banks have been seen to be engaged in activities ranging from anti-competitiveness to defilement (Corruption) after the consolidation. At the point when economies of scale are noticed, these are a huge vulnerability over how wide the range of scale is. In the light of these explores hence, researcher can gather that merger and acquisition would positively or negatively influence financial performance of an organization.

1.2 Problem Statement

Merger and Acquisition in banking sector has been a widespread prevalent in Nepalese banking sector. Consolidation has been ongoing phenomenon in the banking industries of many countries in recent decades. Since the economic liberalization of Nepal's banking sectors, there has been unexpected rise of bank and financial institutions which resulted in the fierce cutthroat competition among them tempting organization, borrowers and individuals. Merger and Acquisition is considered as an approach of strengthening the bank's capacity and performance level, however not all merged institution delivered the expected results. Multiple researchers concluded that post-merger banks had found their ROE, ROA decreased, decreased profit, bad feelings towards the combined company and notable indication of uncertainty over the mere existence of economies of scale.

Many bank and financial institutions go through merger and acquisition following Merger Acquisition Bylaw issued by Nepal Rastra Bank as many experts and analyst believe that Nepalese financial sector was overcrowded with so many players. NRB has brought a merger bylaw believing that it will as panacea of the entire burning problem as Nepalese banking sector is going through torment and really tough phase. In Nepal, the merger and acquisition of bank and financial institution trend is increasing however it has witnessed challenge making the success of merged institution in doubt unexpected leaving of Top-level management. The study, therefore, aims to analyze and evaluate the selective Nepalese Commercial Banks performance and its situation before and after the merger and acquisition.

Based on the problems, this study tried to answer the following research issues:

- What is the current situation of EPS, MPS, DPS, PE ratio, EY, DY, NPL, NPM and ROA of selected Nepalese commercial banks before and after the merger?
- What is the relationship between EPS, MPS, DPS, DY, PE ratio, EY, NPL, NPM and ROA of selected commercial banks before and after the merger?
- What is the impact of EPS, MPS, DPS, DY, PE ratio, EY, NPL, NPM and ROA of selected commercial banks before and after the merger?

1.3 Objectives of the Study

This study aims to determine the pre-merger and post-merger operating performance of the merged bank and financial institution in Nepal. This research attempt to evaluate and explore the effect of Merger and Acquisition on financial performance, market share, and the equity of the shareholders of the selected commercial banks.

The specific objectives of the study are mentioned below:

- To assess the current situation of EPS, MPS, DPS, PE ratio, EY, DY, NPL, NPM and ROA of selected commercial banks before and after the merger.
- To examine the relationship between EPS, MPS, DPS, PE ratio, EY, DY, NPL, NPM and ROA of selected commercial banks before and after the merger.
- To analyze the impact of EPS, MPS, DPS, PE ratio, EY, DY, NPL, and NPM on ROA of selected commercial banks before and after the merger.

1.4 Rationale of the Study

Merger and Acquisition are very common in the banking industry. These transactions have potential to have a substantial influence on the bank's financial performance, efficiency, risk profile, customer service, and competitive landscape of banks. When banks get merged, whole environment structure changed. Adaptation of changing environment becomes crucial problems for the commercial banks.

The rationale for studying the impact of Merger and Acquisition on commercial banks is to acquire a better understanding how the factors of Merger and Acquisition influence the banking industry which can be used to get competitive advantage in value and performance among others after Merger and Acquisition. The outcomes of the study

facilitate the better understanding of the factors that contribute to the success or failure of Merger and Acquisition transactions. Similarly, it also benefited the commercial banks to identify the potential risk and benefits of Merger and Acquisition for banks and with the help of it the risk can be minimized and benefits can be achieved.

Another reason for studying the impact of Merger and Acquisition on commercial bank is to evaluate the impact of Merger and Acquisition on the stability of the banking system. The findings of the study are useful for the future research tool as well to assess the financial performance of the commercial banks.

1.5 Limitations of the Study

The study focuses more on the quantitative approach rather than the qualitative approach. The impact of Merger and Acquisition evaluated on the basis of various tools and methodology. The research was also conducted in the limited area which means the study does not cover the overall whole area.

The major limitation of the study is mentioned below:

- Out of 20 commercial banks as of July 2023 only 7 banks are taken for study.
- The study covers data from 2013 to 2023.
- Only secondary data is taken for the study.
- Only limited financial and statistical tools are used for the study.

CHAPTER-II

REVIEW OF LITERATURE

This chapter deals with the literature review and presents conceptual framework related to the post-merger performance of the Nepalese financial institutions derived from research carried out by various scholars in established and emerging market. Literature review brings a better comprehension of the relevant secondary data analyzed by the researcher.

2.1 Theoretical Review

2.1.1 Concept of Merger and Acquisition

A Merger is a business deal where two existing, independent companies combine to form a new, singular legal entity. In other words, a merger is a business transaction in which the operations of two or more firms are combined to form a single new entity or integrate one company to another. Assets, resources, and management structures are often combined throughout this process to generate a larger, greater efficiency, and frequently more competitive business. Types of Mergers:

- 1. Horizontal merger:** This sort of merger happens when two organizations in a similar industry and at a similar phase of production or distribution combine. By merging they are enhancing their market range but are not essentially doing anything new.
- 2. Vertical merger:** In vertical merger, companies from different stages of supply chain or production process merge. They are pursuing vertical integration via upgrading logistics, consolidation of workforce, and perhaps shortening time to market for products.
- 3. Conglomerate merger:** Two organizations in various ventures join powers or one takes control over the other to widen their range of services and products. This approach can assist with reducing costs by combining administrative activities as well as reduce risk by operating in a range of industries.

“An acquisition is a procedure whereby an individual or company, called an offeror or acquirer, takes over control of the management and assets of another company, called an offeree or target, either directly, by becoming the owner of those assets, or indirectly, by

taking control of the management of the company or purchasing its shares.” (Ross, Westerfield and Jordan, 2003)

Acquisition can be done by purchase of stock and/or assets of the target company. Takeovers can be friendly or hostile in nature and can be used interchangeably typically. A friendly acquisition occurs when the acquiring company gives information to the target company’s Board of Directors (BOD) that it plans to purchase a controlling interest. Board of Directors voted upon the proposed buyout and the votes would decide whether the proposal should be accepted or not. If the votes are in favor of proposal, then the acquiring company then takes control of the target company’s operations. Types of Acquisition:

1. Stock acquisition: The acquirer buys target’s stock from the selling shareholders. In a stock acquisition, the seller's stock is transferred to the acquirer, which involves the sale of all of the seller's assets and liabilities just before the acquisition. As a result, no impossible determination of the seller's individual assets and liabilities needs to be performed, nor will the transaction be overly complicated. The acquirer does not receive stepped-up tax basis in the acquired net assets; rather, it receives a carryover basis. Also, any goodwill created in a stock acquisition is not deductible for income tax purposes. (Assets and stock Deals, retrieved 2016).

2. Asset Acquisition: The buyer buys certain or all of the assets and liabilities of the target directly from the seller. In case all the assets of the target are to be acquired, the target is liquidated. The acquirer can selectively choose which assets and liabilities he wants to buy (referred to as "CherryPicking"). The benefit to the buyer is not having to assume any liabilities for those unwanted assets and liabilities. The asset purchase agreement will identify or describe and assign worths for any or every asset or liability to be acquired, from office supplies to goodwill.

2.1.2 Theories on Merger and Acquisition

There are various theories which explain the reason for the Merger and Acquisition undergone by the company.

Power Theory

The “Power Theory” in the context of mergers and acquisitions typically refers to the idea that mergers and acquisitions transactions are often driven by the desire for increased corporate power and control. Market Power is the capacity of an individual or group of an individual (persons, enterprises, partnerships, or others) to affect the price, quality, traits of the product in the marketplace. Market dominance can also result in excessively high and risk-free profits (Montgomery, 1985).

Synergy Theory

This theory suggests that Merger and Acquisition activities create costs with the aid of combining two companies in a way that the resulting entity is more valuable than the addition of its individual components. Synergy can be performed through cost savings (cost synergy) or revenue enhancement (revenue synergy). According to synergy theory, “The amount of economic value that will result from merger will depend on the amount of the resources held by the firm, relative to the amount overall present in the economy, availability of opportunities to use this resource” (Chatterjee, 1986).

Agency Theory

Agency Theory focuses on the principal-agent relationship within a corporation. It implies that by minimizing agency conflict, Merger and Acquisition may better reflect the interests of shareholders and management. Agency Theory contended that managers have motivations to make their firms develop past their size. Development expands managers’ power by increasing the assets under their control. It is also associated with expansion in managers’ pay, since changes in remuneration are decidedly connected with the growth in sales (Yassin Hankir, 2011).

“Eat or be eaten” Theory of mergers

The “Eat or be eaten” theory of mergers and acquisitions is a concept that highlights the competitive nature of the business world. Basically, it proposes that in specific enterprises or circumstances, companies should participate in mergers and acquisitions to survive or to prevent being procured themselves. This theory is often associated with industries described by extreme rivalry, technological interruption, or changing market dynamics. According to (Gary Gorton, 2005) firms are engaged in mergers and acquisition in order

to survive in a competitive market. Firms do not participate in merger waves may be at disadvantage and could potentially be acquired by the other firms.

2.1.3 History of Merger and Acquisition

It feels reasonable to examine the mergers and acquisitions patterns after starting from a historical perspective. Economic history demonstrates that the frequency and volume of mergers and acquisition show distinctive “waves” throughout the time. The total number of mergers and acquisitions transaction during a cycle’s peak may be several times more than that of transactions at the cycle’s trough. Typically, a cycle intensifies with increasing number of transactions taking place, often at progressively inflated prices until an unforeseen occurrence finally puts end to all the activity. Mergers and Acquisitions history dates back to the 19th century. However, there were few notable exceptions such as the merger of the Hudson’s Bay Company with the North West Company in 1821, the union of the Italian banks Monte dei Pachi and Monte Pio as Monti Reuniti in 1784, and the merger of the East India Company with its former rival to reclaim its monopoly over Indian trade in 1708. The merger in the 19th century is greatly related in the U.S. business arena which occurred in the period 1895-1905. At this period of time, small business with limited market share at this time merged with business of a similar nature in order to create larger as well as more potent enterprises that eventually control the markets. The overall merger wave to date can be divided into seven distinct waves, each of which is explained below:

First wave: It first took place between 1897 and 1904. Monopolistic markets that emerged from horizontal mergers define this time in history. This period of wave is considered to be the period in which large monopolies were established. According to O’Brien (1988), rather than economies of scale, the corporations that desired to have a significant presence and strength in the market were the main drivers of mergers at this time. The Sherman Antitrust Act, which went into effect in 1890, was intended to severely restrict monopolies, but the corporations exploited mergers as a means of circumventing the law. Gaughan (2011) has stated that the inefficiency of Justice Department being responsible for improper execution of Antitrust Act. Gaughan (2011) has further claimed that because corporate laws were loosened, corporations were better able to own shares in other companies and expand their business operations, creating a merger environment. During the period 1898 to 1904, companies were departing at a pace of 301 each year in order to merge or acquire another company; in 1899 alone, 1028

companies vanished into merger (Nelson, 1959). The period of 1905 to 1914 is described as a decade of lower merger activity. Beginning in 1915, the momentum was back.

Second wave: The second wave took place between 1916 and 1929. Oligopolies are predicted to have an impact during this time. After the equity market had declined in first wave, it began to develop in this phase. Because investment capital was widely available and the economy was expanding, the stock market started to soar. During this time, the US government has enforced severe and strict rules in antitrust laws. In 1914, the Clayton Act was implemented which was like back force for Sherman. According to Sundarsanam (2010), strict antitrust laws encouraged vertical mergers, which in turn encouraged industries that weren't connected to one another to join. As a result, oligopolies were formed and monopolies were destroyed. In order to achieve economies of scale, small scale companies are also merging with one another during this era. The slump in the equity market marked the end of this period. Due to the Second World War, there were little merger and acquisition operations until the second wave ended in the 1950s.

Third wave: The third wave occurred between 1965 and 1969. Conglomerate mergers brought on by the 1960s' robust economies define this period. Conglomerate mergers like this came into practice by businesses with the objective of implementing diverse strategies and product lines. As per Shleifer & Vishnu (1991), antitrust regulations that prohibited mergers between businesses in the same industry were the reason behind these conglomerates. The Cell Kefuaver Act was enacted to combat monopolies and oligopolies by prohibiting the merger of enterprises owned by the same entity. Such conglomerates were also the outcome of businesses attempting to lessen income volatility (Sundarsanam, 2010). The 1973 oil crisis as well as the subsequent economic downturn of the 1970s marked the end of the third wave.

Fourth wave: The fourth wave occurred from 1984 to 1989. Gaughan (2011) refers to this time as the hostile merger phase. Hostile takeovers and mergers occurred with the intention of generating large returns in a short amount of time. Since there were drawbacks to conglomerate mergers as well, some big mergers were designed to shrink or specialize operations. Large corporations were the main participants in mergers and acquisitions throughout the fourth wave as well, whereas middle-sized and small enterprises were involved in earlier mergers. According to Mitchell & Mulherin (1996), the main causes of takeover activities at this time were deregulation, competition, financial innovation, and oil price shocks. According to Sundarsanam (2010), the growth

in mergers in Europe during this period was caused by the fall of the Berlin Wall and the Schengen Agreement. Additionally, large corporations have started to choose mergers and acquisitions as a means of lowering operational and financing costs due to high rates of inflation and, consequently, high borrowing prices. The end of the fourth wave coincided with the collapse of highly leveraged corporations and the stock market.

Fifth wave: The wave began in 1992 and persisted until the year 2000. The global share market boom and subsequent deregulation serve as the wave's main sources of inspiration. This tsunami affected the telecome and banking industries. In contrast to debt financing, the transactions had some backing from equity capital (Kouser & Saba, 2011). These mergers were typified by amicable, long-term commitment agreements. Due to the renewed economic boom and the skyrocketing stock market, businesses decide to merge in order to meet demand. The companies chose equity financing over loan financing in the fifth wave merger. Additionally, this wave is defined by multinational mergers, with businesses pursuing cross-merger agreements. With so many businesses pursuing mergers and acquisitions in Europe, America, and other nations, deregulations also had a significant impact on these foreign mergers. The European Union, the North Atlantic Free Trade Agreement, and other transnational trade zones substantially aided these merger waves. A recessionary period came to an end during this time.

Sixth wave: The sixth wave took place between 2003 and 2008. According to Martynova & Renneboog (2005), the market started to normalize following the September 11, 2000 terrorist attack, which is when the merger wave started. During this time, the interest rate was kept low even as the economy started to improve. The tendency of cross-border mergers and acquisitions persisted during this time. The low interest rates made borrowing more accessible and led to the growth of numerous private equity businesses. The subprime debt crisis of 2007 marked the end of the sixth wave (Pettit & Ferris, 2013). Research has indicated that the invasion happened in a cluster of distinct waves rather than all at once.

Seventh wave: The economic downturn caused mergers and acquisitions activity to plummet to its lowest levels since during the seventh wave, which ran from 2009 to present. There has been both appreciation and criticism for South Africa's recent admission into the exclusive group of the world's top emerging economies. There are differing views on whether South Africa as a whole or Africa as a continent should be included in the BRICS (Brazil, Russia, India and China) alliance. Nonetheless, it is

anticipated that adding South Africa, or all of Africa, will increase inbound investment and drastically alter the mergers and acquisitions market in Africa.

Tables depict the total mergers as waves:

Table 1

Merger waves

Period	Name	Merger
1893-1904	First wave	Horizontal mergers
1919-1929	Second wave	Vertical mergers
1955-1970	Third wave	Diversified conglomerate mergers
1974-1989	Fourth wave	Co-generic mergers; Hostile takeovers; Corporate Raiding
1993-2000	Fifth wave	Cross-border mergers; mega-mergers
2003-2008	Sixth wave	Globalization, Shareholders Activism, Private Equity
2009 till date	Seventh wave	The Rise of BRICS

(Source: New York University, 2014)

2.1.4 Merger by Law 2011, Nepal Rastra Bank

The banking and financial sector of Nepal, by 2010, entered a period of growing concern about a number of issues. According to the International Monetary Fund Work Report 2008, the ratio of nonperforming loans amounted to one-third. This, together with political instability and uncertainty, had deterred investors within the country from investing in any projects, affecting the profit margins for banks. This laid-down in turn low demand for loans for big projects, leading to mounting pressure on banks to invest either in aggressive, highly volatile real estate production sectors, with maximum risks, or to be inactive with their capital, thereby incurring cost risks in the form of opportunity (*New Spotlight News Magazine, 2011*).

The Nepal Rastra Bank was, as the principal regulatory authority for all BFIs, becoming extremely worried about the sorry state of the BFIs. The Centre Bank planned to bring some reforms into the financial sector with the introduction of Merger Bylaw 2011 under the Company Act 2063 article 177, therefore, BAFIA 2063 article 68 and 69 compelling

all BFIs to merge on a priority basis as consolidation. Merger was not a choice with the Nepal Rastra Bank, but rather it was a coercive strategy to swell the capital and strengthen their competitiveness to withstand market competition. If not, many BFIs might become defunct (Adhikari,2014)

2.1.5 Guidelines and Conditions for opting Merger Bylaws, 2011

The Nepal Rastra Bank has identified three criteria under which it can compel the Bank and Financial Institutions to go for a merger. Under the first specification, those BFIs operated and controlled by the same corporate family, friends and relatives and group shall be subjected to force a merger. The central bank will order a merger of those BFIs with an ownership by a single family, relatives and groups. The merger by-law policy by the central bank also states that it may persuade the BFIs to merge if they are undertaken by one family undertaking.

Secondly, as per the second condition, if there is capital shortfall, the central bank can force such BFIs into merger. According to the NRB's banking and financial institution regulations, a commercial bank should maintain a minimum capitalization ratio (CAR) of 10 percent and development banks a CAR of 11 percent. CAR is employed to assess a bank's ability to meet its obligations and exposure against possible losses associated with time liabilities and other risks, e.g., credit and operational risks. CAP was charged by the NRB: the failure of BFIs to meet may, thus, lead to a merger, making its capital strong and performance competitive (Subedi,2012).

2.1.6 Major Provisions of Merger Bylaws 2011

States that the major provisions of Merger- Bylaws laid by the NRB are:

1. Class A, B, and C financial institutions may merge with each other while class D financial institutions can merge only with each other.
2. BFIs should form a merger committee from their annual general meetings to provide a memorandum of understanding (MOU).
3. Due process for the MOU must be in place and stamped with an action plan prior to presentation to the Rastra Bank for a LOI. The Bank must call a meeting within 15 days after receiving a LOI application.

4. The central bank has the right to grant or not grant the LOI after hearing the discussion and studying in detail the concerned financial institution.
5. After receiving an LOI from the central bank, due diligence will include an audit to be completed within 6 months.
6. The consolidated assessment of an institution's assets, liabilities, and transactions should be submitted to the NRB.
7. A copy of the agreement with the final determination on the name, address, and share ratio of the concerned BFIs is to be submitted to the NRB.

Nepal Rastra Bank is a central bank of Nepal, and it has set out various ground conditions that may compel merger of banking and financial institutions. The conditions thus framed are also available on the website of Nepal Rastra Bank under the policies titled "Merger By-Laws, 2068 (including First Amendment)" which date to 2016:

- 1) If the different banking and financial institutions are owned by the same family, relatives, or groups.
- 2) If there is shortfall of capital, mergers should be pursued by banking and financial institutions, for instance, commercial banks with the minimum non-refundable capital adequacy ratio of 10 percent and development banks with the minimal non-refundable capital adequacy ratio of 11 percent.
- 3) If reformative action may have been taken on the banking and financial institutions three times or more.
- 4) If systematic risks cause banking and financial institutions to default on their contractual obligations to make payment.
- 5) If the banking transaction and financial environment produce a better result, it is desirable for two or more banks to merge.
- 6) If because of such permits, there remains a chance of a negative outcome in the financial environment of the country.

2.2 Empirical Review

Review of International Articles

Hassanat, Ezugwu and Emenike (2023) had studied on the topic “Merger and Acquisition Adoption and Financial Performance of Listed Commercial Banks in Nigeria” which examined the effect of mergers and acquisitions on the financial performance of listed commercial bank in Nigeria. The study aims to discover whether the adaption of merger and acquisition has contributed to the growth level of the total assets and earning per share of selected banks. The methodology used in the study involves the use of secondary data extracted from annual reports and financial statements of three selected commercial banks in Nigeria (First City Monument Bank, Eco Bank and Access Bank) over a period of twelve years (2010-2021). The Ordinary Least Square (OLS) technique was employed to estimate the data and test the formulated hypothesis and quantitative research design is also used to collect and analyze numerical data. The findings of the study suggest that the adoption of mergers and acquisitions has a positive impact on the financial performance of listed commercial banks in Nigeria. The study recommends that mergers and acquisitions should be adopted as a viable alternative to organizations that are not performing well, as it promotes growth.

Nguyen and Thuy Nguyen (2022) had written a research study “The Effect of Mergers and Acquisitions on the Efficiency of Vietnam Banking System during the Restructuring Period” which explained the impact of mergers and acquisitions on the efficiency of Vietnam’s banking system. The study aimed to answer two research questions: (1) what are the efficiency levels of Vietnamese commercial banks during the 2011-2019 period? (2) How do M&A impact Vietnamese banking efficiency? The study uses Bootstrap Data Envelopment Analysis (DEA) and CAMELS system as a control variable in investigating the effect of M&A on the efficiency of Vietnamese commercial banks. The study found that M&A transactions can improve the efficiency of Vietnamese commercial banks in terms of intermediation but may have limited impact on operating efficiency. The study recommends that the government should develop detailed guidelines as a framework for linking legal documents to regulate all aspects of the M&A implementation process.

Georgea, Wei and Nneka (2021) had published an article with a title “The Impact of Mergers and Acquisitions on the Financial Performance of Ecobank Ghana Limited” that investigated the impact of mergers and acquisitions on the financial performance of Ecobank Ghana limited. The study aimed to examine whether merger and acquisition, as

a tool of recapitalization, improves the bank's performance in the long run. The researcher collected and analyzed financial data from annual financial statements of the bank for six years, beginning in 2009. The study found that the merger and acquisition had a positive impact on the bank's financial performance, as evidenced by the significant improvement in the return on assets, return on capital employed, and shareholders' equity to total assets ratios. The articles also provided recommendations for well-planned merger and acquisition activities, retention of competent staff, and necessary regulatory measures to ensure the merger process does not produce banks that will become overly monotonous to be supervised. The study highlights the need for further research on the qualitative motives behind merger and acquisition and their impact on financial performance.

Musah, Abdulai and Baffour (2020) had written an article entitled "The Effects of Mergers and Acquisition on Bank Performance in Ghana" which explained that mergers and acquisition have an adverse effect on the Ghanaian commercial banks financial performance. It collects data from the annual reports of eight commercial banks over a 10-year period and also uses the correlation analysis, regression analysis to analyze the data. It addresses discrepancies in previous literature using a larger sample size and examining the causes and processes of merger and acquisition in the Ghanaian banking industry which allowed for more robust and generalizable findings. The study found mergers and acquisitions are negatively associated with net profit margin which can be driven by factors such as operating expenses and loan loss provision and has positive effect on return on assets and return on equity. The outcomes provide robust evidence on the results of mergers and acquisition in the financial area in Ghana and have implications for policy makers, government, and commercial banks in Ghana.

Zuhri, Fahlevi and Nur Abdi (2020) had published an article "The impact of Merger and Acquisition on Financial Performance in Indonesia". This research study examined the impact of merger and acquisition on the financial performance of companies listed in Indonesian Stock Exchange in 2015. The objective of the study is to obtain positive change on the profitability and solvability of companies listed on the Indonesian Stock Exchange in 2015. The sample of research consists of 20 companies that carried out merger and acquisition during the period pre and post 2015. Researcher specifically target the companies that meet the criteria of being involved in merger and acquisition, being registered with the KPPU (Business competitive Supervisory Commission) and OJK (Financial Services Authority) being an IPO company having publicly accessible

financial reports. Merger and Acquisition provide the valuable insight and sense of understanding of the factors that influence the financial performance of large and small companies

Sujud and Hachem (2018) had studied on the topic “Effect of Merger and Acquisition on Performance of Lebanese Banks” which analyzed the impact of Mergers and Acquisitions on the financial performance of banks in India and Lebanon. The study focused on data used from all public and private banks working in India from 1990 to 2008 and found that the ordinary expenses adequacy of public-sector banks is 73.40% and for private banks sector, it was 76.3%. It was discovered that policymakers shouldn't empower mergers between robust and troubled bank as this would have an adverse influence on the quality of assets in the stronger banks. The Audi-Saradar Group's profitability will be examined in detail as the study's first objective. The authors highlighted the significance of the study due to the scarcity of mergers in the Arab world and the restricted exploration led in this field.

Bozkurt (2018) had written an article with the title “Identifying the Effects of Merger and Acquisition on Turkish Bank's Performance” which examined the impact of mergers, acquisitions, and transfer of shares on the financial ratios of 9 private banks in Turkey between 2001 and 2012. The study aimed to review the influence of merger, acquisition and share transfer activities on bank's performance, due to the strategic importance of the banking sector in terms of economic stability as well as its effect on other sectors. The Probit model was used to determine the impact of merger and acquisition transactions on the bank's ratios. The study concludes that mergers and acquisitions have a diminishing effect on the asset quality, management capability, market risk, and liquidity ratios. Hence, the study provides insights into the potential benefits and drawbacks of mergers and acquisition for banks in emerging markets.

Abdulwahab and Ganguli (2017) had published an article entitle “The impact of Merger and Acquisition on Financial Performance of Banks in the kingdom of Bahrain during 2004-15”. It specifically focused on four specific deals between banks in Bahrain and analyzes financial performance before and after the mergers. The objective of the study was to determine if there are significant difference in the financial performance of the acquirer banks and the target bank in the analyzed merger and acquisition deals. The researchers collected data from financial statement of the banks and assess the data to evaluate the impact of merger and acquisition on the financial performance of the banks.

The research evaluates the financial performance of commercial banks through testing 15 CAMEL ratios for three years each during the pre- and post-merger and acquisition periods using quantitative methods.

Ellis, Lamont and Faifman (2015) made a comparative analysis of “Mergers and Acquisition in Africa: A Review and an emerging Research Agenda”. It was a comprehensive review of existing research on mergers and acquisitions in Africa, with the focus on the management of acquisition process, knowledge investments and identifying trends, limitations, and unique factors that distinguish African countries as target nations from other countries traditionally considered in the mergers and acquisitions literature. The study also conducted a series of in-depth interviews with executives involved in mergers and acquisitions in Africa to highlight the idiosyncratic features of the African context that bring to the present merger and acquisition research emphasizes on purchases in the more advanced regions of North America and Western Europe, along with the need to expand it. The study begins with a concise outline of some of the trends in mergers and acquisitions activity in Africa, and highlights the contributions and shortcomings of existing studies. The study also provides a case study of the restructuring of the African portable telecome industry and how it upheld economic development.

Hoang Long (2015) had studied on the title “Merger and Acquisition in the Czech Banking Sector- Impact of Bank Merger on the Efficiency of Banks” that examined the impact of mergers and acquisitions on the financial performance of banks in the Czech Republic. The study specifically focused on the profitability of Czech Republic banks before and after merger. It emphasizes on target banks involved in mergers between 2000 and 2010 and uses accounting measures and financial ratios to measure performance. In order to enhance their financial efficiency and profit the most form post-merger and acquisitions periods, the study recommends the banks to adopt more aggressive measures. Overall, the paper provides valuable insights into the financial performance of Czech banks and highlights the need for further research in this area.

Joash and Njangiru (2015) had published the research entitled “The Effects of Mergers and Acquisitions on Financial Performance of Banks (A Survey of Commercial Banks in Kenya)”. The study determines to examine the effect of merger and acquisition on the bank performance in Kenya. The study aimed to identify the factors that influence the success of mergers and acquisitions. The study employed a descriptive survey design and

the population of the study consisted of all the 14 banks in Kenya that had gone through mergers and acquisition in Kenya since the year 2000 up until the time of the study. The study found that mergers and acquisitions improve the financial performance of the banks in Kenya. The size of the merging banks, the level of competition in the banking industry, and the regulatory environment were among the factors that the research found as having an influence on mergers and acquisition. Before proceeding with the merger and acquisition procedure, the researcher advised that detailed feasibility studies be conducted.

Moctar and Xiafong (2014) had written an article “The Impact of Merger and Acquisition on the Financial Performance of West African Banks: A Case Study of Some Selected Commercial Banks” which explored the effects of mergers and acquisitions on the financial performance of banks in West Africa, specifically focusing on selected commercial banks within the Economic Community of West African States (ECOWAS). The analysis focused on the circumstances regarding liquidity performance, and valuation ratios of two banks in merger and acquisition . The performance of these banks compared with other two banks which are not involved in merger and acquisition to determine whether changes in their performances were due to other factors or due to only merger and acquisition. The study adopted quantitative research approach to analyze the situations of the banks involved in merger and acquisition. The study found out that mergers and acquisitions had a positive impact on liquidity ratios of banks and the performance and investment valuation variables decreased in the period of merger and acquisition. The study suggested that merger and acquisition have both positive and negative effect on banks depending on the variables analyzed.

Fatima and Shehzad (2014) made a comparative analysis on the topic “The Analysis of Impact of Merger and Acquisition on the Financial Performance of Banks in: A Case of Pakistan”. The study investigated the relationship between the event of merger and acquisition and its impact on the financial performance of Pakistani’s banks. The study used six financial ratios, including profit after tax, return on equity, return on asset, debt to equity ratio, deposit to ratio, and earning per share to analyze the financial performance of banks. The study followed causal correlational research design and uses SPSS for statistical analysis. The data and information were grabbed from the KSE listed companies which was gone in merger from 2007 to 2010. The study selected 10 cases due to the limitation of data availability. The study found that there is a significant effect on

the financial performance of banks in Pakistan before and after the merger and acquisition. The researcher suggests that banks in Pakistan should consider the merger and acquisition as a strategy to improve their financial performance.

Goyal and Joshi (2012) had written an article with a topic “Mergers and Acquisition in Banking Industry: A Case Study of ICIC Bank Ltd.” which highlighted the issue and challenges faced by the banking industry in a globalized economy and how ICIC Bank Ltd. overcome them to become the largest private sector bank in India. The study emphasized on the growth of banks through merger, acquisitions, and amalgamation. The study reviews the existing literature on merger and acquisition in the financial sector of India. The study also provides a case study of the merger of Global Trust Bank and Oriental Bank of Commerce. The study suggested that the merger with Bank of Madura was supposed to increase ICIC Bank’s hold on the South Indian market. Mergers and Acquisition are considered as corporate activity which helps an organization to gain sustainable competitive advantage.

Badreldin and Kolhoefer (2009) had studied on the title “The Effects of Mergers and Acquisitions on Bank Performance in Egypt” which explained the impact of recent economic reforms on the banking sector in Egypt, specifically focusing on the performance of banks that have undergone mergers or acquisitions. The authors then review previous research on the impact of mergers and acquisitions on banks performance, highlighting the two main empirical methods used in previous studies: comparing pre- and post-merger and acquisition performance using financial and accounting data, and using an event study type methodology. The financial performance of 11 banks in Egypt that undergone mergers and acquisition between 2004 and 2014 are taken for analysis. The results of the study showed that the most important ratio, return on equity (ROE), increased on average by 14% after the merger and acquisition, which is significant change. The authors conclude that the study of the target and buyer were of similar overall size, risk attitudes, and other orientation fills a gap in research on the Egyptian banking sector.

Said, MatNor and Rahman (2008) had published an article “The Efficiency Effect of Mergers and Acquisitions in Malaysian Banking Institution”. The study analyzed the efficiency effects of mergers and acquisitions in Malaysian banking institutions before and after the consolidation program initiated by Bank Negara in response to the 1997 financial crisis. The study used two approaches to evaluate the performance of these

institutions, the first approach is DEA and second one is Panel data analysis. The data was gathered from the annual reports of ten anchor-banks for the period 1998 to 2004. The data was divided into pre-and post-merger according to each individual bank's completed merger date for the descriptive equality test analysis. The study concluded that the mergers did not lead to significant efficiency gains, but the banks are becoming more focused on their intermediation activities to generate high net interest income.

Altunbas and Ibanez (2004) had written an article "Mergers and Acquisitions and Bank Performance in Europe: The Role of Strategic Similarities". The study focused on the consolidation process in the European Union banking sector and aims to shed light on the role of strategic similarities in mergers and acquisitions of banks and how this affects bank performance. The study analyzed the both domestic and cross-border merger data to assess the differences in corporate culture between targets and bidders, as well as the impact of national culture dissimilarities on post-merger performance. The study used a comprehensive sample of European Union banks from 1992 to 2001 to compare actual pre- and post-merger performance. The study also examined the effects of bank consolidation on performance by comparing pre- and post-merger performance and analyzing changes in the prices of specific financial market assets around the time of the announcement of the merger. The study recommended that banks should consider strategic similarities when planning a merger or acquisition and that they should carefully evaluate the potential impact of national culture dissimilarities on post-merger performance.

Athanasoglou and Brissimis (2004) had studied the title "The Effect of Mergers and Acquisitions on Bank Efficiency in Greece" which examined the impact of mergers and acquisitions on bank efficiency and performance in Greece. The study focused on the efficiency, stability and competitive policy concerns related to the bank merger movement. It delves into the impact of mergers and acquisitions on the banking sector, exploring the potential benefits and drawbacks of such activities. The study analyzed data from the periods 1994-1997 and 2000-2002, and focuses on three main areas of analysis: the developments of certain cost and profit indicators and their dispersion between groups of banks classified according to their size, the best performance and comparison of bank performance concerning cost and profits for individual merger cases before and after the merger. The study found that merger and acquisition had a beneficial effect overall on the performance of banks which merged in terms of return on equity and cost efficiency. The

study concluded by suggesting that further research is needed to determine the extent to which increased level of bank concentration during the period 2000-2002 may have influenced the improved profit efficiency observed during that time.

International articles so far reviewed are presented in table 2.

Table 2

Summary of International articles

Date of Publication	Article	Writers	Objectives	Methodology	Findings
2023	Merger and Acquisition Adoption and Financial Performance of Listed Commercial Banks in Nigeria	Hassant, Ezugwu & Emenike	<ol style="list-style-type: none"> 1. To examine the extent to which the adoption of merger and acquisition has contributed to the growth level of the total assets of the selected banks. 2. To discover whether the adoption of mergers and acquisitions has contributed to the growth level of earning per share (EPS) in selected banks. 	The study uses Ordinary Least Square (OLS) to estimate the relationship between dependent variables and one or more independent variables. The study also used a quantitative research design which involves the collection and analysis of numerical data.	The study finds that when banks merge, they tend to combine the assets which lead to an increase in the total assets. The study concludes that adoption of mergers and acquisitions increase the earning per share and profit of the commercial banks.
2022	The Effect of Mergers and Acquisitions on the Efficiency of Vietnam Banking System during the Restructuring Period	Nguyen & Thuy Nguyen	<ol style="list-style-type: none"> 1. To provide suitable implications and developments for the future of the Vietnamese banking system by identifying the impact of mergers and acquisitions activities on banking efficiency. 2. To investigate the efficiency level of Vietnamese banks during the 2011-2019 period. 	The study uses Bootstrap Data Envelopment Analysis to investigate the efficiency level of the banks under intermediation and operating approach. The study uses CAMELS system to investigate the effect of mergers and acquisitions	The study finds that the efficiency level of Vietnamese commercial banks has improved over the years with intermediation efficiency being higher than operating efficiency. The study finds that the size, capital adequacy and asset quality have positive impact on banking efficiency.
2021	The Impact of Mergers and	George, Wei	<ol style="list-style-type: none"> 1. To investigate whether acquisition 	The study adopted a descriptive research	The study found that acquisition and

	Acquisitions on the Financial Performance of Ecobank Ghana Limited	& Nneka	and merger, as a recapitalization, improves the financial performance of Ecobank Ghana Limited in the long run. 2. To examine the effect of acquisition and merger on various financial ratios of the bank, including ROE, ROA, debt to equity, etc.	model with quantitative analysis. Financial ratios over a 12-long period were extracted from financial statements of the banks. The inferential and descriptive statistics were employed for data analysis.	merger had an insignificant relation with the return on equity, return on capital employed, shareholders equity to total assets, debt to equity. Mergers and Acquisitions have no significant improvement on the financial performance of Ecobank Ghana Limited.
2020	The Effects of Mergers and Acquisition on Bank Performance on Ghana	Musah, Abdulai & Baffour	1. To identify the cause of merger and acquisition in the banking industry in Ghana. 2. To examine the process adopted in merger and acquisition.	The study uses quantitative research methodology and data was collected from annual reports of 8 commercial banks. Descriptive statistics, Correlation analysis and regression analysis used to analyze the data.	The study found that merger and acquisition have negative effect on the financial performance in Ghana as measured by key performance indication such as ROA, NPA and EPS
2020	The Impact of Merger and Acquisition on Financial Performance in Indonesia	Zuhri, Falevi & Nur Abdi	1. To identify the factors that influences the financial performance of companies in Indonesia. 2. To examine the impact of mergers and acquisitions on the profitability and solvability.	The study uses non-probability purposive sampling to select the sample of firms. The study also employs quantitative analysis to analyze the gathered data.	The study found that the Mergers and Acquisitions process generally did not have a significant influence on a company 's financial performance, no difference in ROE before and after merger and acquisition.
2018	Effect of Merger and Acquisition on performances of Lebanese Bank	Sujud & Hachem	1. To examine the impact of merger and acquisition on the profitability of bank Audi-Saradar Group. 2. To compare the pre-and post-merger profitability of merged	The study used two research method to compare the pre-and post-merger financial performance of Audi Saradar Group i.e. Analysis of ratios and Paired	The study concludes that merging of banks does not significantly affect profitability of Lebanese bank in terms of ROA and ROE. However, a

				banks Audi and Saradar with Audi-Saradar Group.	sample t-test.	significant difference was found in the earning per share standard after merger.
2018	Identifying the Effects of Merger and Acquisition on Turkish Bank' s Performance	Bozkurt		<ol style="list-style-type: none"> 1. To review the influence of merger, acquisition, and transfer of share activities on bank' s ratios. 2. To recognize the strategic importance of the banking sector in terms of economic stability and its impact. 	The study uses two methods i.e. ratio analysis is combines the CAMELs and Probit model. Balance Sheet data of nine banks that underwent merger and acquisition is analyzed.	The study found that expected success level merger and acquisition in the Turkish banking sector were not met. The study also found that a consolidated financial statement was not developed during the years of merger.
2017	The Impact of Merger and Acquisition on Financial Performance of Banks in the Kingdom of Bahrain during 2004-15	Abdulwahab & Ganguli		<ol style="list-style-type: none"> 1. To determine the impact of merger and acquisition on the financial performance of Banks in Bahrain during the period of 2004-15. 2. To provide insights into the efficiency of merger and acquisition deals in the banking sector and contribute to the understanding of their impact. 	The study is considered a casual study and uses quantitative method to analyze the impact of merger and acquisition on the financial performance of banks in Bahrain.	The findings of the study indicate that there was no significant difference in the overall financial performance between the pre- and post-merger periods for all banks in the kingdom of Bahrain except for Bahraini Saudi Bank.
2015	Mergers and Acquisition in Africa: A Review and an emerging Research Agenda	Ellis, Lamont, & Faifman	T.	<ol style="list-style-type: none"> 1. To offer an emerging research agenda for subsequent studies on mergers and acquisition in Africa. 2. To identify the key factors that influence merger and acquisition activity in Africa and provide a comprehensive review of existing research on the subject. 	The study uses a mixed- methods approach to achieve its objective. First, the authors conduct review of previous studies of merger and acquisition studies focusing on African market. Second, they direct a progression of top to bottom meetings with familiar with Mergers and Acquisitions in	The authors identify several factors that distinguish African countries as target nations from other countries traditionally considered in the Mergers and Acquisitions literature.

				Africa to feature portion of the particular elements.	
2015	Mergers and Acquisitions in the Czech Banking Sector- Impact of Bank Merger on the Efficiency of Banks	Hoang Long	<ol style="list-style-type: none"> 1. To fill the gap in the literature by providing empirical evidence on the impact of Mergers and Acquisitions on the accounting profitability of Czech banks. 2. To compare the financial performance of target banks involved in Mergers and Acquisitions deals between 2000 and 2010. 	The study utilizes descriptive statistics univariate analysis and panel data methodology to examine the impact of Mergers and Acquisitions on the profitability of Czech banks.	The study finds that mergers and acquisitions have a mixed impact on the profitability of Czech banks. While there is no immediate effect on profitability following a merger over time.
2015	The Effects of Mergers and Acquisitions on Financial Performance of Banks (A Survey of Commercial banks in Kenya)	Joash Njangiru	<ol style="list-style-type: none"> 1. To determine the effect of Mergers and Acquisitions on the shareholders' value and to examine the implications of Mergers and Acquisitions profitability. 2. To provide insights for bank managers and shareholders in making decision regarding Mergers and Acquisitions. 	The study used a descriptive survey design. The data was collected using questionnaire with open and closed-ended question. The study population consisted of the 14 banks that underwent Mergers and Acquisitions in Kenya.	The study discovered that Mergers and Acquisitions improve the financial performance of Kenya banks. According to the findings, there is positive relationship between shareholders value, profit and return on equity.
2014	The Impact of Merger and Acquisition on the financial performance of West African Banks: A Case study of Some Selected Commercial Banks	Moctar Xiafong	<ol style="list-style-type: none"> 1 To assess the liquidity ratios of banks involved in Mergers and Acquisitions compared to those that have not undergone such transaction. 2 To analyze the performance variables such as Return on assets (ROA) and Return on equity (ROE) of banks involved in Mergers 	The study used the research approach, data collection, variable for analysis and data analysis procedure. The study adopts quantitative approach to analyze the situation of banks involved in Mergers and Acquisitions in terms of liquidity, performance and investment	The study reveals that Mergers and Acquisitions have positive impact on liquidity of banks in short and long term. The findings indicates that the performance variables such as ROA and ROE initially decrease during the periods of Mergers and Acquisitions.

			and Acquisitions	valuation.	
2014	The Analysis of Impact of Merger and Acquisition on the financial performance of Banks in Pakistan	Fatima & Shehzad	<ol style="list-style-type: none"> 1. To evaluate whether Mergers and Acquisitions add value to shareholders and whether predicted profits from Mergers and Acquisitions are ever realized. 2. To highlight issues and challenges in bank merger and acquisition. 	<p>The methodology used in the study is a casual-correlational study. The study used a sample of 10 banks that had undergone Mergers and Acquisitions transaction from 2007 to 2010. The study also used Wilcoxon Signed rank test.</p>	<p>The study indicated that post-merger and acquisition period was more financially efficient than the pre-merger and acquisition period. The study found that the financial performance of the banks improved after Mergers and Acquisitions.</p>
2012	Mergers and Acquisitions in Banking Industry: A Case Study of ICIC Bank Ltd.	Goyal & Joshi	<ol style="list-style-type: none"> 1. To access the growth of ICIC Bank Ltd. through merger, acquisition and amalgamation. 2. To provide conceptual framework for merger and acquisition in the India ' s context. 3. To focus on the challenge and issues faced by firms in addressing human resources issues during Mergers and Acquisitions. 	<p>The given text does not provide a detailed description of the methodology in the study. However, it can be inferred that the study is literature review that analyze the growth of ICIC Banks Ltd. The authors have used secondary source of data such as books, articles and reports to gather information.</p>	<p>The study found that this merger paved the way for several things in the transition period and pre-merger strategy. It visualized the need for the diverse culture to arrive to understanding and to work hand in hand.</p>
2009	The Effects of Mergers and Acquisitions on Bank Performance in Egypt	Badreldin & Kalhoefer	<ol style="list-style-type: none"> 1. To provide overview of expansion and growth happening in the world of finance, particularly in the banking sector. 2. To highlight the economic reforms and liberalization that have taken place in Egypt, leading to banking sector reforms. 	<p>The study uses a quantitative research methodology. The return on equity was used as a dependent variables by the researcher to collect the information on the acquiring banks and compare their performance before and after Mergers and Acquisitions.</p>	<p>The most crucial number ROE, changed significantly after the merger, rising by an average of more than 14%.The operational expenditure margin and Gross income did not exhibit any diverging change, indicating that they were not primary cause in the increment of profitability.</p>

2008	The Efficiency Effect of Mergers and Acquisitions in Malaysian Banking Institution	Said, MatNor & Rahman	<ol style="list-style-type: none"> 1. To provide evidence of the efficiency gains that bank experienced from the 1998 to 2001 merger exercise in Malaysia and to evaluate the performance of these institutions. 2. To provide insights into the performance of merged institutions. 	<p>The study uses two approach i.e. DEA and Panel data regression. DEA is used to examine the relative indicators of technical or productive efficiency of commercial banks. Panel data regression examines the relationship between bank profitability and CAMEL type variables.</p>	<p>The study found that on average, all the banks seem to have similar average efficiency scores before and after the merger. The average scores before and after the mergers are 0.977132 and 0.977127 respectively.</p>
2004	Mergers and Acquisitions and Bank Performance in Europe: The Role of Strategic Similarities	Altunbas & Ibanez	<ol style="list-style-type: none"> 1. To examine the impact of Mergers and Acquisitions on bank performance in Europe, specifically focusing on the role of strategic similarities. 2. To look at data from domestic and cross boarder merger to see how target and bidder corporate culture differ. 	<p>The study uses a comparative approach to analyze the pre- and post-merger performance of a comprehensive sample of European Union banks from 1992 to 2001.</p>	<p>The study finds that merger and acquisition can have a positive impact on bank performance in Europe particularly in the case of cross-border merger and acquisition.</p>
2004	The Effect of Mergers and Acquisitions on bank efficiency in Greece	Athanasoglou & Brissimis	<ol style="list-style-type: none"> 1. To analyze the impact of Mergers and Acquisitions on bank efficiency in Greece, specifically focusing on cost and profit efficiency as well as economies of scale. 2. To identify the determinants behind Mergers and Acquisitions in the Greek banking market during the 1990s and assess the effects of these Mergers and Acquisitions on the overall performance and efficiency of banks. 	<p>The study utilizes three different methodologies to analyze the impact of Mergers and Acquisitions on bank efficiency in Greece. These methodologies include: calculation of the margin for improvement, analysis of financial indicators and evaluation of Stock market reactions.</p>	<p>The study concludes that Mergers and Acquisitions can lead to improved cost efficiency in the banking sector particularly in the case of small banks. Improved cost efficiency was observed in only four out of nine Mergers and Acquisitions examined</p>

Review of Nepalese Context

Rayamajhi (2023) had studied the dissertation titled “Merger and Acquisition on Nepalese Commercial Banking” which explore the impact of mergers and acquisitions commercial banking in Nepal, with a focus on Global IME bank, Prabhu Bank and NIC Asia. The study tries to analyze the existing position of NIC Asia, Global IME bank and Prabhu bank after merger and acquisition. The study was based on secondary data taken from financial reports of the sample banks and covers the ten years from 2012/13 to 2021/22. The researcher used limited financial and statistical tools for the analysis. According to the study, mergers and acquisitions improve the acquiring firm short term profitability and liquidity but have no appreciable impact on the solvency position of the company. The study also outlines research gap for more investigations and highlights the limitation of the research. Overall, the study provides the valuable insights into the impact of mergers and acquisitions on commercial banking of Nepal.

Baraili (2022) had studied on the topic of “Impact of Merger and Acquisition on Financial Performance of Nepalese Commercial Banks” delved into the impact of merger and acquisition on the financial performance of the selected commercial banks (Global IME Bank, NIC Asia and Prabhu Bank) in Nepal. The research aimed to evaluate how these commercial banks fared after undergoing mergers and acquisitions, analyzing factors such as profitability, liquidity, asset quality, and efficiency. By examining the financial indicators such as return on assets, return on equity, net interest margin, and non-performing loans, the study sought to provide insights into the overall impact of mergers and acquisitions on the selected banks’ financial health and performance. Through the comprehensive analysis of financial data and performance metrics, the study aimed to contribute to the existing literature on the subject and recommendations for future research in the field of mergers and acquisitions in the banking sectors.

Neupane (2021) in her thesis titled “Impact of Merger and Acquisition on Financial Performance of Commercial Banks in Nepal” provided an overview of the development process and research trends in the field of mergers and acquisitions. The study aimed to investigate whether the financial performance of the selected merged commercial banks (Global IME Bank and Machhapuchchhre Bank) from 2010-2019 improved or not. The study is based on descriptive research design, which deals with the various issues in this study regarding pre and post-merger performance of commercial banks in Nepal. The researcher collected data from the Machhapuchchhre and Global IME Bank operating

history for at least five years before and after the merger. Quantitative technique such as mean value, standard deviation, and t-test were used to analyze the data. The finding of the study is that the financial performance of the selected merged commercial banks (Global IME Bank and Machhapuchchhre Bank) improved after the merger, as evidenced by an increase in return on assets, return on equity and earning per share.

Chaudhary (2021) studied the topic “Impact of Merger and Acquisition in Nepalese Financial Sector of Banks” which investigate the impact of ongoing mergers and acquisitions on Nepali banks and financial institutions (BFIs) and to assess whether mergers and acquisitions plays an important role in strengthening the Nepalese financial sectors. The study used a mixed-methods approach including both qualitative and quantitative data collection methods. The data was collected through a survey of employees from four merged banks, namely Machhapuchchhre Bank Limited, Nepal Investment Bank Ltd., Global IME Bank Limited, and Bank of Kathmandu Lumbini Ltd. The study found that mergers and acquisitions has a positive impact on the Nepalese financial sector, as it leads to increased market share, improved financial performance, and better risk management.

Ojha (2021) had studied the titled “Analysis of Merger and Acquisition on the Financial Performance of Commercial Banks in Nepal”. The study aimed to analyze the impact of merger and acquisition on the financial performance of selected merged commercial banks (NCC Bank Limited and Siddhartha Bank Limited). The study used a descriptive research design and analyzed the financial performance of two commercial banks i.e. NCC and SBL, based on various performance indicators such as capital adequacy ratio, asset quality, management efficiency, earning, liquidity, and sensitivity. The study found that the merger and acquisition strategy did not significantly improve the financial performance of the banks, except for an increase in the capital adequacy ratio. The study also identified several limitations, such as the small sample size and the use of secondary data only. The study provides recommendations for further research and insights for stakeholders such as shareholders, depositors, and merchant bankers.

Bhusal (2021) had conducted the study on dissertation titled “The Impact of Mergers and Acquisitions on Performance of Nepalese Commercial Banks (With Reference to Global IME Bank & Machhapuchchhre Bank)” which focuses on the impact of mergers and acquisitions on the organizational performance of Nepalese commercial banks, specifically Global IME Bank & Machhapuchchhre Bank. The study aimed to provide a

comprehensive insight into the implications of mergers and acquisitions activities on Nepalese commercial banks and their stakeholders, with a focus on financial performance, employee satisfactions, and overall organizational performance. The research methodology employed descriptive and casual comparative analysis using a convenience sample size and secondary sources data from the internet. Various financial and statistical tools were utilized for analysis. The findings of the study contribute to the understanding of the effects of mergers and acquisitions activities on Nepalese commercial banks and provide insights for stakeholders and regulatory bodies to make informed decisions regarding mergers and acquisitions in the banking sectors.

2.3 Research Gap

Merger and Acquisition is a necessity of today's bank and financial institutions and it is increasing day by day in Nepalese market. The corporate merger and acquisitions are required to increase the efficiency of banking institution, enhance competitive advantage, achieving the profitability and improve the shareholder's value. When NRB issued Merger Bylaw 2011 there is drastically change in Nepalese financial institution and becomes wind for going one after another in merger. However, some of the bank and financial institutions of Nepal are facing various problems and do not have any significant affect leading to merger and acquisition decision.

This research study on the merger practice of BFIs in Nepal which will provide the current issues existed in financial market and also aims to discover the factors that affect the merger and acquisition decision and its benefit for banking institutions. The study provides the information about the latest financial and statistical tool used by the commercial banks in present scenario. This study covers the latest and annual reports of seven commercial banks as of July 2023. This paper tries to find out the factors affecting the financial performance of Nepalese bank after merger and acquisition.

CHAPTER-III

RESEARCH METHODOLOGY

This chapter highlights the research methodology and data-driven analysis technique. This study's several research methodologies are covered under several of the chapters heading and subheading.

3.1 Research Design

The study uses a descriptive and casual research design. Qualitative analysis, case studies, questionnaires, and data from other studies are all used in descriptive research. Casual research is an approach that finds out the reason and effect relationship between different factors and comes up with clear solutions that can solve the research problem. To evaluate the financial performance of the combined company, secondary data with various financial indicators has been employed. The public annual reports of the sample banks provided the financial and accounting information needed to investigate how mergers and acquisitions affected the performance of the banks chosen for the sample. Additionally, information was gathered from the NRB and sample bank website. Pre-and post-merger data have been used in this work to analyze the impacts of mergers on banks.

3.2 Population, Sample and Sampling Design

For the purposes of this study, the entire population is represented by the number of merged commercial banks. Hence, the population consists of twenty commercial banks (https://en.wikipedia.org/wiki/List_of_banks_in_Nepal, mid-July 2024). Out of the total population operating in Nepal only 7 commercial banks like NMB Bank Ltd., Prabhu Bank Ltd., Nepal Investment Bank Ltd., Bank of Kathmandu Ltd., Global IME Bank Ltd., Nepal Credit and Commerce Bank Ltd., and Prime Commercial Bank Ltd. which has already been merged are used as a sample. Similarly, the study used purposive sampling method in this study. The purpose of this study is to find out the current situation of 7 selected commercial banks before and after the mergers and acquisitions that is why, it is called the purposive sampling method. The study covers 10 years data, 5 years prior and 5 years after merger from 2013 to 2023.

Table 3

Selected Banks

S.No.	Name of institution	Merged into	Name after merger and acquisition	Joint transaction date
1	Om Development Bank Limited	NMB Bank Limited	NMB Bank Limited	2019-09-28
2	Grand Bank Nepal Limited	Prabhu Bank Limited	Prabhu Bank Limited	2016-02-12
3	Lumbini Bank Limited	Bank of Kathmandu Limited	Bank of Kathmandu lumbini Limited	2016-07-14
4	Ace Development Bank Ltd.	Nepal Investment Bank ltd.	Nepal Investment Bank ltd	2017-07-13
5	Supreme Development Bank Ltd.	NCC Bank Ltd.	Nepal Credit and Commerce Bank Ltd.	2017-01-01
6	Janata Bank Nepal Ltd.	Global IME Bank Ltd.	Global IME Bank Ltd.	2019-12-20
7	Kankai Bikash Bank Ltd.	Prime Commercial Bank Ltd.	Prime Commercial Bank Ltd.	2019-09-15

3.3 Nature and Sources of Data

The main sources of data for this research work were secondary data. The secondary data were collected from different sources in this study, including papers and publications from various researchers and organizations, journals, and bank supervisory reports as well as banking and financial statistics released by Nepal Rastra Bank. From the financial records of the financial institutions chosen for the study, secondary data on earnings per share, return on equity, liquidity situation, and earning per share during the event study period was gathered. The information was also gathered from the Central Bank of Nepal's bank supervision report documents. Five years prior to and five years following the merger were included in the time series of data that was gathered from 2013 to 2023.

3.4 Instrument of Data Collection

The annual reports of the commercial banks that were sampled were the source of the data used in this investigation. The results of the statistical and financial analysis of the collected data were elaborated.

3.5 Methods of Analysis

A number of financial parameters, including DPS, EPS, MPS, PE Ratio, NPL, NPM, ROA and ROE are calculated to study the financial performance of the selected commercial banks before and after the merger in order to determine the effects of the merger on their financial performance.

The diverse results obtained with the use of statistical and financial tools which are tabulated under numerous headings. Financial and Statistical tools are used for the study.

Financial tools

Financial instruments are one of the most effective ways to guarantee a healthy return on investment. The financial metric aids in assessing the organization's financial standing. There are several financial variables used to examine share price, market capitalization, earning price per share and dividend per share. Some of the financial tools which are used in this research are given below:

i). Dividend Yield (DY): Dividend yield is a ratio that measures the percentage of a company's share price that it pays out in dividends annually. In other words, Dividend yield shows the relationship between dividend per share and market share price. It is calculated by dividing dividend per share with market value per share. Dividend Yield can be shown as follows:

$$\text{Dividend Yield} = \frac{\text{Dividend per share}}{\text{Market price per share}}$$

ii). Earnings per Share (EPS): Earning per share measures the profit earned by equity stockholders per share. Stated differently, EPS represents the portion of a banks' profitability. EPS, however, does not indicate how much of the net profit will be allocated as retained earnings or how much will be given as a dividend to shareholders. It provides an aggregate net earnings figure broken down by share that belongs to regular shareholders. It is computed by dividing the net profit by the total number of shares that are outstanding. Thus,

$$\text{Earnings per share} = \frac{\text{Net income available to equity shareholders (NPAT)}}{\text{Number of share outstanding}}$$

iii). Price Earnings Ratio (P/E ratio): The relationship between earnings per share and the stock's market price is known as the price earnings ratio. Profits per share provide insight into the company's performance by demonstrating how well it has managed its human and material resources to meet the needs of investors. Therefore, the price that the market is currently willing to pay for each rupee of currently reported EPS is reflected in the P/E multiple.

$$\text{P/E ratio} = \frac{\text{Market Price per share}}{\text{Earning Price per share}}$$

iv). Earning Yield (EY): Earning Yield is a financial ratio that describes relationship of the company's earnings per share to the company's stock price per share. Earning Yield is calculated by dividing earning per share (EPS) by market share price. It is the reciprocal of the P/E ratio.

$$\text{Earning Yield} = \frac{\text{Earnings per Share}}{\text{Market share price}}$$

v). NPL to Total Loan: Non-performing loan are bank loans that are either unlikely to returned by the borrowers or are prone to late repayment. The financial crisis and recessions that followed made it harder for borrower to repay their debt. Loan whose schedule payments has not received for three months or longer are required by Nepal Rastra Bank to be classified as Non-Performing Loans.

$$\text{Non-performing Loan to Total Loan} = \frac{\text{Non performing Loan}}{\text{Total Loan}}$$

vi). Net Profit Margin (NPM): Net Profit Margin refers to the financial ratio that measures the percentage of profit earned by the company relative to its sales. Net Profit Margin is calculated by deducting all the expenses of a company from total revenue.

$$\text{Net Profit Margin} = \frac{\text{Net Profit}}{\text{Total revenue}}$$

vii). Return on Assets (ROA): ROA defined as a ratio of net income to total assets, was utilized as a stand-in for managerial efficiency. This ratio is a measure of managerial effectiveness; it shows how well the bank's management has been able to turn its assets into net profits. High return on assets (ROA) indicated improved asset utilization and management into net earnings as well as an extension of profit margin. This ratio shows how well bank management is using asset mobilization to turn a profit. The return on total assets is calculated as follows:

$$\text{Return on assets} = \frac{\text{Net income after tax}}{\text{Total assets}}$$

viii). Return on Equity (ROE): The rate of profit generated by utilizing the shareholder's funds is measured by return on equity. In other words, return on equity (ROE) is a profitability ratio that measures the bank's capacity to generate the profit from its shareholders investment in bank. By displaying the amount of profit that the company has made from each dollar invested by common investors, it is used to evaluate financial success. It is computed by dividing the profit following taxes by the average equity held by shareholders.

$$\text{Return on equity} = \frac{\text{Net income after tax}}{\text{Shareholder's equity}}$$

Statistical Tools

Descriptive statistics

Descriptive statistics are used to summarize and describe a dataset's properties. They provide short summary of the sample and the measurements. Descriptive statistics are used to give a basic grasp of the data before digging deeper into more complicated statistical analysis.

i). Mean

Mean is the average value computed by adding all values and dividing by the number of observations. Mean gives a sense of the center of the data. It is calculated by using following formula:

$$\text{Mean } (\bar{X}) = \frac{\sum X}{N}$$

Where,

\bar{X} = Mean of the value

ΣX = Summation of the values

N = Number of observations

ii). Standard deviation (σ)

Standard deviation is the average sum of squares of the deviations of observations from the distributions arithmetic mean, expressed as a positive square root. The common and practical measure of dispersion that produces consistent, accurate and steady findings is the standard deviation. High levels of observational consistency and series of homogeneity are indicated by modest standard deviations; the opposite is true for big standard deviations. This involves computing standard deviation for a subset of the dependent and independent variables included in the previously presented model.

$$\text{Standard deviations } (\sigma) = \sqrt{\frac{\Sigma (X - \bar{X})^2}{n}}$$

iii). Correlation Coefficient

Correlation Coefficient is defined as the relationship between dependent variable and independent variable. It is a technique of ascertaining how these two variables are related to one another. If the two variables are so related change in the value of the variable due to the change in the value of another variable then it is called correlation coefficient.

$$\text{Correlation Coefficient}(r) = \frac{n\Sigma XY - \Sigma X\Sigma Y}{\sqrt{[n\Sigma X^2 - (\Sigma X)^2][n\Sigma Y^2 - (\Sigma Y)^2]}}$$

Where,

X & Y = Variables i.e. EPS, P/E ratio, MPS, DPS, NPM, DY and NPL ratio in ROA of sample banks.

iv). Regression Model

The bank analysis in this study aimed to analyze specific factors related to profitability in commercial banks and their impact on profitability using regression analysis tools. The study focused on analyzing the Return on Assets (ROA) of the banks and various bank-

specific factors such as Earning per Share (EPS), Price-to-Earnings (P/E) ratio, Market Price per Share (MPS), Dividend per share (DPS), Net Profit Margin (NPM), Dividend Yield (DY), and Non-Performing Loan (NPL) ratio as the main research variables. The study examined a regression equation to determine the influence of independent variables on dependent variables:

$$ROA = \beta_6 + \beta_8 EPS + \beta_4 MPS + \beta_9 NPL + \beta_{:} DPS + \beta_{; } PE + \beta_{<} NPM + \beta_{>} DY + \beta_8 EY + e$$

Where, ROA = Return on Assets

β_6 = Beta coefficient of the regression equation

β_8 = Beta coefficient for Earning per Share (EPS)

β_4 = Beta coefficient for Market per Share (MPS)

β_9 = Beta coefficient for Non-Performing Loan Ratio (NPL)

$\beta_{:}$ = Beta coefficient for Dividend Per Share (DPS)

$\beta_{;}$ = Beta coefficient for Price per Earning (PE)

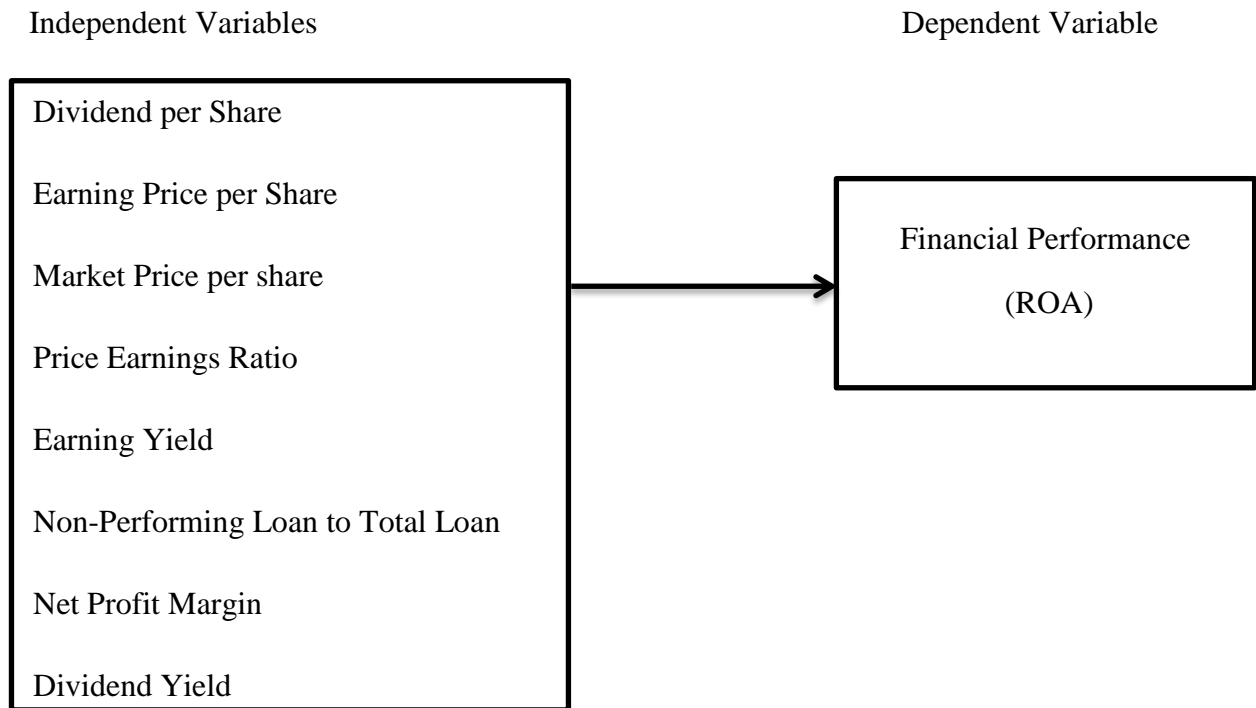
$\beta_{<}$ = Beta coefficient for Net Profit Margin (NPM)

$\beta_{>}$ = Beta coefficient for Dividend Yield (DY)

β_8 = Beta coefficient for Earning Yield

e = Residual term of the regression equation

3.6 Research Framework and Definition of Variables



(Source: Bhatta, 2016)

Figure 1 : Research Framework

Definition of Independent Variable

Earning Price per Share

"Earnings per share is computed as the total profit of a company divided by the number of shares outstanding for each of its common stock. The figure thus obtained is indicative of the profit-generating ability of the company. Net Income amounts to the profit available to the shareholders after consideration has been made for the company's costs and expenses" (Fernando J. , 2024)

Market Price per Share

"Market price per share is the prevailing price at which a single unit of a company's stock is traded on the open market, either buying or selling. It, therefore, forms the financial value that investors are willing and able to pay for a share on the basis of their expectations about the future growth potential of the enterprise, its earning power, and general market conditions" (Editor, 2024)

Non-Performing Loan Ratio

“A non-performing loan is a type of loan that is considered to be in default because the borrower has been delinquent on loan payments for defined time periods. Non-performing loans occur whenever a borrower is in a position of insufficient liquidity or some other complication restricts further payments on the loans” (Corporate Finance institute, 2024)

Dividend per Share

“Dividend per Share conveys a value of each dividend payment a shareholder would receive for each share. We can obtain this number by dividing the total amount of dividends paid by total shares outstanding” (Nickolas, 2023)

Price Earnings Ratio

“The price-to-earnings (P/E) ratio relates the share price of a company to its earnings per share (EPS). Sometimes called a price or earnings multiple, the P/E ratio helps assess the relative value of a company's stock. It comes in handy for comparing the valuation of a company against historical performance, other firms in an industry, or the market overall” (Fernando, 2024).

Net Profit Margin

“Net Profit Margin is a key financial indicator providing insight into how much of the total revenue is turned to net income. Simply put, the net profit margin shows management's overall efficiency in generating profit. When looking at the net profit margin, the investor can determine how well management is performing in terms of generating profits on sales and whether overhead and operating costs are controlled” (Murphy, 2024)

Dividend Yield

“Dividend yield depicts the relationship between dividends per share and market price per share. The dividend yield is computed by dividing cash dividends per share by market price per share” (Wikipedia, 2024).

Earning Yield

"Earnings yield is a ratio that compares the percentage of a company's earnings to its current share price. This ratio is calculated by taking the earnings per share value and dividing it by the market price per share. The earnings yield helps investors determine how much profit they will make on their investment" (Corporate Finance Institute, 2023).

Dependent Variable

Return on Assets

"Return on assets is a measure of profitability which denotes the amount of profit which the company can generate with the assets. In other words, return on assets or ROA gauges the efficiency of a firm's management in generating profits from economic resources or assets reflected in their balance sheet. ROA is determined in percentage, and with the increasing number, it indicates the efficiency of a company's management in managing the balance sheet and generate profits" (Boyte-White, 2024).

CHAPTER-IV

RESULTS AND DISCUSSION

This chapter deals with the methodical presentation and analysis of data gathered from various sources. In this research, a major secondary source of data was collected from the NMB Bank Ltd., Nepal Investment Bank Ltd., Prabhu Bank Ltd., Bank of Kathmandu Ltd., NCC Bank Ltd., Global IME Bank Ltd., Prime Commercial Bank Ltd., etc. Data is collected from operating history of at least five years before and after merger. The collected data are analyzed using different tools and technique. The analysis's findings are presented systematically and are thoroughly evaluated or explained in the following sections.

4.1 Financial indicators of Banks before and after the mergers

One method or approach that is frequently used to analyze a company's financial statement is ratio analysis. The analyst will be able to understand or be shown the positive and negative situations or financial status of any organization by employing methods like ratio analysis. The profitability ratios used in this analysis were the Price-earnings ratio (PE ratio), Net Profit Margin (NPM), Market value per share (MPS), and Earnings per share (EPS). Major secondary sources of data for this study were gathered at random from NMB Bank Ltd., Bank of Kathmandu Ltd., Prabhu Bank Ltd., Nepal Investment Bank Ltd., etc. Ever merged company's annual report from both before and after the merger is carefully examined. The analysis of the bank's merger activity's effect on shareholders is done using a range of financial metrics. When analyzing the bank for investment purposes, shareholders should consider these financial indicators. The performance and financial health of the company can be usefully determined by looking at financial ratios. The financial accounts of the companies like cash flow statement, profit and loss account and balance sheet are used to calculate the majority of the ratios. A typical person may easily comprehend the financial situation of the firm thanks to the straightforward and intelligible conversion of these financial statements provided by ratios.

Table 4

Comparative pre- and post-merger performance analysis of NMB Bank ltd

Variables	Pre-merger			Post-merger
	NMB Bank Ltd.	Om Development Bank Ltd.	Combined	NMB Bank Limited
ROA	1.57	1.37	1.47	1.36
EPS	25.78	15.02	20.4	16.04
MPS	547	330.5	438.75	341.2
DPS	19.05	23.45	21.25	15.05
DY	3.9	8.08	5.99	3.99
PE ratio	21.45	12.14	16.79	20.31
EY	5.06	8.12	6.59	5.14
NPL	1.07	0.70	0.88	1.99
NPM	18.85	19.60	19.22	14.89
ROE	15.45	17.84	16.65	11.79

(Source: Appendix I)

The merger of NMB Bank Ltd. and Om Development Bank Ltd. brought significant changes in the financial performance of the newly combined entity. Before the merger, NMB Bank was in a better financial position compared to Om Development Bank in most aspects. For example, the pre-merger ROA for NMB Bank stands at 1.57%, while Om Development Bank stands at 1.37%, thus arriving at a combined pre-merger ROA of 1.47%. However, after the merger, the NMB ROA fell to 1.36%, indicating a slight decline in profitability. In the same light, the Earnings Per Share decreased from the combined value of 20.4 to 16.04, and this may reflect dilution effects and difficulties of smooth integration. In the same way, the MPS decreased from its combined value of 438.75 to 341.2, likely reflecting market skepticism over the immediate benefits of the merger. Regarding dividends, the DPS of pre-merger NMB stood at 19.05 and that of Om Development Bank was 23.45. The combined average thus stand higher at 21.25 pre-merger falls to 15.05 post-merger, indicating a conservative dividend policy. Hence, the post-merger DY declined to 3.99% from its pre-merger percentage of 5.99%. As indicative of valuation, the Price-to-Earnings ratio surged from 16.79 pre-merger to 20.31

post-merger, showing that the stock became relatively expensive. Additionally, the NPL ratio, as a measure for asset quality, increased from a pre-merger value of 0.88% to 1.99%, signaling deterioration in the quality of the credit portfolio. Finally, NPM also decreased from pre-merger 19.22% to 14.89%, indicating higher costs and a decline in profitability within the immediate post-merger period. Overall, though the merger created a larger and perhaps stronger bank for the longer term, the immediate post-merger period reflected a decline in profitability, asset quality, and shareholder returns—a fact attributed to integration challenges and short-term market reactions.

Table 5

Comparative pre- and post-merger performance analysis of Prabhu Bank Ltd.

Variables	Pre-merger			Post-merger
	Prabhu Bank Ltd.	Grand Bank Nepal Ltd.	Combined	Prabhu Bank Ltd.
ROA	1.00	-0.05	0.48	0.74
EPS	16.60	-41.99	-12.70	12.46
MPS	312.60	251.50	282.05	262.20
DPS	1.68	0.00	0.84	9.60
DY	0.90	0.00	0.45	3.54
PE ratio	11.24	-6.67	2.29	42.02
EY	4.33	-0.16	2.09	4.82
NPL	9.80	31.96	20.88	3.09
NPM	27.66	-53.79	-13.07	14.90
ROE	8.93	-6.42	1.26	8.22

(Source: Appendix I)

This merger between Prabhu Bank Ltd. and Grand Bank Nepal Ltd. has a significant effect on the combined entity's financial performance. Before the merger, Prabhu Bank had a stable performance with an ROA of 1.00% and EPS of 16.60, while Grand Bank was having negative ROA of -0.05% and deeply negative EPS of -41.99, hence pulling down the combined entity's figure. After the merger, the ROA of Prabhu Bank increased very slightly to 0.74%, while the EPS fell to 12.46 due to the addition of losses brought

about by the inclusion of Grand Bank. The Market Price Per Share decreased from a combined value of 282.05 to 262.20 as the market reflected uncertainty. In spite of dilution, the dividend distribution in the bank got better since DPS significantly increased from a pre-merger combined average of 0.84 to 9.60 post-merger, thereby giving a high Dividend Yield of 3.54%. The Price-to-Earnings Ratio has shot to 42.02 post-merger, indicating higher valuation despite depressed earnings. While the ratio of NPLs initially stood high at 9.80% and 31.96% for Prabhu Bank and Grand Bank, respectively, it successfully came down to 3.09% post-merger, thus indicating better management of asset quality. Again, NPM recorded positive growth from a combined -13.07% to 14.90%, while ROE improved to 8.22%, indicating improved profitability and operational efficiency. Overall, the merger stabilized the performance of Prabhu Bank, reduced credit risk, and enhanced shareholder returns in the post-merger period.

Table 6

Comparative pre- and post-merger analysis of Bank of Kathmandu Ltd.

Variables	Pre-merger			Post-merger
	Bank of kathmandu Ltd.	Lumbini Bank Ltd.	Combined	Bank of Kathmandu Ltd.
ROA	1.05	1.26	1.16	1.49
EPS	16.81	13.07	14.94	20.48
MPS	465.2	401.00	433.10	253.22
DPS	19.92	10.50	15.21	15.19
DY	4.80	2.62	3.71	6.24
PE ratio	29.18	22.90	26.04	12.73
EY	4.03	3.26	3.65	8.65
NPL	2.27	0.82	1.55	1.82
NPM	27.85	35.77	31.81	39.60
ROE	10.79	9.39	10.09	11.69

(Source: Appendix I)

Mergers between Bank of Kathmandu Ltd. and Lumbini Bank Ltd. greatly showed an upward trend in financial performance for the merged entity. Bank of Kathmandu Ltd., prior to the merger, had a stable ROA ratio of 1.05% and an EPS of 16.81, while Lumbini

Bank Ltd. had a higher ROA of 1.26% but a corresponding lower EPS of 13.07. The post-merger ROA position has been at 1.49%, and the EPS has increased to 20.48, indicating improvement in profitability and operational efficiency. On the other hand, MPS declined sharply from its combined pre-merger average to 433.10 from 253.22, probably reflecting market concerns or integration costs. Similarly, DPS remained unchanged at the same level of 15.19, but the DY surged massively from 3.71% to 6.24%, benefitting the shareholders. The Price-to-Earnings ratio decreased from 26.04 to 12.73, showing that the stock had become more reasonable in its valuation after the merger. EY also increased from 3.65% to 8.65%, indicating better returns for investors. Asset quality was strong, and the NPL ratio increased only a little from 1.55% to 1.82%, which would still be pretty manageable in terms of credit risk. The Net Profit Margin increased from 31.81% to 39.60%, indicating improved profitability. Also, ROE increased from 10.09% to 11.69%, which indicates that the returns to the shareholders were stronger. In sum, the merger made Bank of Kathmandu stronger by the criterion of profitability and efficiency, though market valuation did have some temporary losses.

Table 7

Comparative pre- and post-merger analysis of Nepal Investment Bank Ltd.

Variables	Pre-merger			Post-merger
	Nepal Investment Bank Ltd.	Ace Development Bank Ltd.	Combined	Nepal Investment Bank Ltd.
ROA	2.06	2.24	2.15	1.38
EPS	33.18	13.46	23.32	20
MPS	819	282	550.50	369.8
DPS	39.14	10.19	24.67	12.9
DY	4.93	3.93	4.43	3.11
PE ratio	25.12	21.85	23.49	18.22
EY	4.2	5.06	4.63	5.92
NPL	1.18	4.22	2.70	2.84
NPM	43.12	16.34	29.73	36.89
ROE	19.88	10.64	15.26	12.71

(Source: Appendix I)

The result of the merger between Nepal Investment Bank Ltd. and Ace Development Bank Ltd. tended to bring down the overall financial performance of the amalgamated

organization. Nepal Investment Bank Ltd. had a very impressive ROA before the merger of 2.06% and EPS of 33.18, while Ace Development Bank Ltd. had a little higher ROA but its EPS was considerably low at 13.46%. The ROA, post-merger, had fallen back to 1.38%, while EPS has fallen back to 20, hence, profitability had gone down and also revealed some integration problems. MPS fell significantly from the average combined pre-merger to 369.8 from a combined average of 550.50, a reflection of reduced confidence in the market. DPS fell from 24.67 to 12.9; thus, the DY fell to 3.11% from 4.43%, meaning lesser returns to the shareholders. While the Price-to-Earnings ratio went down from 23.49 to 18.22, the stock has become more attractively valued; the Earnings Yield posted a marginal gain from 4.63% to 5.92%. The quality of assets is slightly deteriorated as indicated by the NPL ratio increasing from 2.70% to 2.84%. The setbacks in the earlier numbers were offset by NPM, which surged higher from 29.73% to 36.89%, indicating that cost management is somewhat effective. However, the ROE significantly contracted from a combined pre-merger average of 15.26% to 12.71%, reflecting reduced profitability for the shareholders. Overall, the merger resulted in lowered profitability and shareholder returns, reflecting initial integration challenges and a dilution of performance metrics.

Table 8

Comparative pre-and post-merger analysis of Nepal Credit and Commerce Bank Ltd.

Variables	Pre-merger			Post-merger
	NCC Bank Ltd.	Supreme Development Bank Ltd.	Combined	Nepal Credit and Commerce Bank Ltd.
ROA	1.44	1.61	1.53	1.07
EPS	19.95	12.17	16.06	13.61
MPS	419.4	187.33	303.37	252.48
DPS	13.98	10.26	12.12	9.16
DY	3.15	5.92	4.54	3.85
PE ratio	19.78	17.63	18.71	18.45
EY	4.91	6.36	5.64	5.71
NPL	3.39	2.21	2.80	2.39
NPM	17.81	19.87	18.84	12.14
ROE	13.63	9.54	11.56	10.65

(Source: Appendix I)

The comparison between NCC Bank and Supreme Development Bank Ltd. before and after the merger depicts a fall in the financial performances of the post-merger entity. In addition, the pre-merger financial position of NCC Bank and Supreme Development

Bank had strong financial performances as depicted by its combined ROA ratio of 1.53%. After the merger, the post-merger bank had an ROA ratio of 1.07%, which implies that the entity is failing to utilize its assets effectively. Earnings Per Share decreased from a combined 16.06 to 13.61, which is an indication of reduced profitability. The Market Price per Share significantly fell from 303.37 to 252.48, showing lesser investor confidence in the company. Moreover, Dividend per Share has also decreased from 12.12 to 9.16, the eventual outcome of a diminished Dividend Yield, 3.85% rather than 4.54% before the merger. The PE Ratio is flat on a relative basis, easing from 18.71 to 18.45, and the respective EY improving marginally from 5.64% to 5.71%. Likewise, the NPL ratio some improvement, easing from 2.80% to 2.39%. Conversely, NPM drastically fell from 18.84% to 12.14%, reflective of lower profitability from operations. Finally, the ROE declined from 11.56% pre-merger to 10.65% post-merger, indicating a decline in return for the shareholders. On the whole, the merger has brought down profitability and returns to the shareholders of the merged bank, reflecting integration problems and lack of efficiencies.

Table 9

Comparative pre-and post-merger analysis of Global IME Bank Ltd.

Variables	Pre-merger			Post-merger
	Global IME Bank Ltd.	Janata Bank Nepal Ltd.	Combined	Global IME Bank Ltd.
ROA	1.60	0.77	1.19	1.35
EPS	20.73	10.13	15.43	20.72
MPS	462.4	249.92	356.16	282.48
DPS	17.2	7.11	12.16	12.97
DY	3.86	3.28	3.57	4.87
PE ratio	23.512	34.24	28.88	13.57
EY	4.96	4.64	4.80	7.99
NPL	1.81	1.73	1.77	1.63
NPM	38.21	18.60	28.41	35.15
ROE	15.40	6.49	10.95	14.6

(Source: Appendix I)

The merger performance analysis of Global IME Bank Ltd. and Janata Bank Nepal Ltd., before and after, reflects a mixed performance. Pre-merger, Global IME Bank had a very strong ROA position at 1.60%, while the combined pre-merger ROA was 1.19%. Post-merger, it went up to 1.35%, showing a recovery of asset utilization efficiency. EPS remained intact, slightly down from a combined 15.43 to 20.72 for Global IME Bank, indicating the steadiness of the bank in profitability after merger. However, MPS went down from 356.16 to 282.48, which hints that the market lost its confidence in the merged entity. Regarding DPS, it has slightly fallen from 12.16 to 12.97, which gave a rise to Dividend Yield of 4.87% from 3.57%. The P/E ratio declined significantly from 28.88 to 13.57, indicating better post-merger valuation. Earnings Yield also increased significantly higher from 4.80% to 7.99%, reflecting better earnings potential. Nonperforming Loans have gone down from 1.77% to 1.63%, indicating better asset quality post-merger. However, there has been a decline in the Net Profit Margin from 28.41% to 35.15%, which indicates efficiency in cost management. Finally, ROE decreased from 10.95% to 14.6%, which reflects stability in the return on shareholders' equity. Overall, despite an improvement in some measures post-merger, declines in MPS and ROE reflect further integration issues and market concerns.

Table 10

Comparative pre-and post-merger analysis of Prime Commercial Bank Ltd.

Variables	Prime Commercial Bank Ltd.	Kankai Bikash Bank Ltd.	Combined	Prime Commercial Bank Ltd.
ROA	1.77	1.88	1.83	1.63
EPS	23.9	17.37	20.64	16.05
MPS	498.4	183.93	341.17	294.4
DPS	19.84	7.96	13.90	10.2
DY	4.38	4.93	4.66	3.3
PE ratio	20.65	12.05	16.35	21.15
EY	5.17	8.85	7.01	5.48
NPL	1.44	0.41	0.93	2.02
NPM	20.30	31.22	25.76	15.09
ROE	16.82	12.92	14.87	13.22

(Source: Appendix I)

The comparative pre- and post-merger analysis of Prime Commercial Bank Ltd. and Kankai Bikash Bank Ltd. depicts that these financial indicators fall after the merger of both banks. During the pre-merger period, Prime Commercial Bank showed a very strong return on assets of 1.77% combined with Kankai Bikash Bank at 1.88% having a combined ROA of 1.83%. However, it fell to 1.63% after the merger, which means that it has become a bit inefficient in utilizing its assets. The Earnings Per Share has decreased from a combined 20.64 to 16.05 for Prime Commercial Bank, which denotes reduced profitability post-merger. Similarly, the Market Price Per Share has decreased from 341.17 to 294.4, thus signaling reduced market confidence. The same can be observed vis-a-vis the decreased Dividend Per Share from 13.90 to 10.2, leading to a reduced Dividend Yield of 3.3% compared to 4.66% pre-merger. Even though the PE ratio has increased from 16.35 to 21.15, indicating less attractiveness in valuation, the EY has fallen from 7.01% to 5.48%. The NPL ratio, reflecting asset quality concerns in the post-merger period, deteriorated and increased from 0.93% to 2.02% on a combined basis. On the positive side, the NPM fell from 25.76% to 15.09%, indicating that there is a challenge to maintain profitability from operations. Finally, the ROE has fallen from 14.87% to 13.22%, which implies a lower return for the shareholders. Overall, the result of the merger was lower profitability, asset quality concerns, and reduced shareholder returns, indicative of integration challenges for the combined bank

4.2 Descriptive summary of the Variables

Descriptive Summary of financial metrics typically focuses on key indicators that assess the bank's performance, profitability and valuation. The table shows the descriptive statistics of ROA, EPS, MPS, DPS, DY, EY, P/E ratio, NPL and NPM of 7 samples commercial banks of 10 years observation.

Table 11*Descriptive Statistics of Sampled Banks before merger*

Variables	N	Minimum	Maximum	Mean	Std. Deviation
ROA	35	-0.74	2.26	1.43	0.57
EPS	35	-38.33	35.70	18.57	11.94
MPS	35	187.00	1040.00	451.06	186.68
DPS	35	0.00	41.00	16.48	11.26
DY	35	0.00	9.43	3.79	2.47
PE ratio	35	-2.63	55.12	21.47	10.91
EY	35	-3.78	8.86	4.75	2.30
NPL	35	0.42	25.58	3.48	5.43
NPM	35	-50.26	47.78	24.36	17.18

(Source: Appendix II)

Table 11 presents the financial performance of the seven sampled banks before the merger is highly variable. ROA ranges from -0.74% to 2.26%, indicating poor to good profitability, while EPS shows a wide variation ranging from -38.33 to 35.70, reflecting volatility in the earnings. The MPS ranged between 187 and 1040.00, indicating a huge variation in the valuation of the stocks. DPS ranges from 0.00 to 41.00 since some banks do not pay dividends; this contributes to the diversity in the dividend policy of the banks. Return from income is represented by the range of DY between 0.00% and 9.43%. The variation in investor sentiment ranges the variation of PE ratio between -2.63 and 55.12. EY is also highly volatile, while the NPL varies from a minimum of 0.42% to a maximum of 25.58%, indicating differences in credit risk. Finally, the high volatility in NPM is represented by the wide variation in the range, from -50.26% to 47.78%, which indicates high variations among these subjects' concerning profitability and efficiency.

Table 12
Descriptive Statistics of Sampled Banks after merger

Varibales	N	Minimum	Maximum	Mean	Std. Deviation
ROA	35	0.08	2.15	1.30	0.41
EPS	35	1.19	26.40	17.15	5.31
MPS	35	160.00	519.00	294.89	104.04
DPS	35	0.00	35.00	12.24	7.13
DY	35	0.00	9.22	4.14	2.36
PE ratio	35	8.43	134.42	20.99	21.23
EY	35	0.74	11.86	6.26	2.55
NPL	35	0.55	4.98	2.25	1.13
NPM	35	0.87	50.01	24.45	13.27

(Source: Appendix II)

Table 12 shows an overview of the financial performance of the seven sampled banks: ROA is relatively stable, ranging from 0.08% to 2.15%, while the EPS is highly volatile, ranging from 1.19 to 26.40, thus reflecting higher variability in profitability. The values of MPS stand between 160.00 and 519.00, also reflecting a wide dispersion in stock valuation. DPS is as low as nil paid and as high as 35.00 paid, with an average of 12.24. DY ranges from 0.00% to 9.22%, showing the income return received by shareholders in the observed period. The PE ratio is between a very low and very high level, ranging from 8.43 to 134.42, indicating that investors have very different expectations. EY ranges from 0.74% to 11.86%, while NPL has stood at an average of 2.25%, indicating different credit risks. Finally, NPM ranges from 0.87% to 50.01%, showing huge variations in profitability.

4.3 Correlation Analysis

Correlation Analysis is a statistical method used to learn if there is a relationship between two variables/datasets and how strong that may be. Any score from +0.5 to +1 indicates a very strong positive correlation-meaning they both increase at the same time. Any score ranging from -0.5 to -1 indicates a strong negative correlation. In this regard, when one variable increases in measure, the other decreases proportionally. Very plainly put, a score of 0 literally translates to there being no correlation or relationship that exists between the two variables at hand. The greater the sample size, the more accurate the result will be. This fact shall remain true for all, no matter which formula is applied. The formula becomes more accurate with more data put into it.

Table 13

Correlation Matric of sampled banks before merger period

		ROA	EPS	MPS	DPS	DY	PE ratio	EY	NPL	NPM
ROA	Pearson Correlation	1								
	Sig. (1- tailed)	.								
EPS	Pearson Correlation	.853**	1.00							
	Sig. (1- tailed)	0	.							
MPS	Pearson Correlation	.347*	.483**	1.00						
	Sig. (1- tailed)	0.02	0.00	.						
DPS	Pearson Correlation	.492**	.459**	.602*	1.00					
	Sig. (1- tailed)	0.001	0.00	0.00	.					
DY	Pearson Correlation	.355*	0.24	-0.08	.698*	1.00				
	Sig. (1-	0.018	0.08	0.33	0.00	.				

	tailed)									
PE ratio	Pearson Correlation	0.02	.290*	.549*	0.27	-0.07	1.00			
	Sig. (1-tailed)	0.456	0.05	0.00	0.06	0.35	.			
EY	Pearson Correlation	.614**	.617**	-.318*	0.01	.349*	-.297*	1.00		
	Sig. (1-tailed)	0	0	0.031	0.474	0.02	0.042	.		
NPL	Pearson Correlation	-.531**	-.688**	-.308*	.479*	-.460**	-.504**	-.416**	1	
	Sig. (1-tailed)	0.001	0	0.036	0.002	0.003	0.001	0.006	.	
NPM	Pearson Correlation	.721**	.833**	.307*	.374*	0.238	.285*	.578**	-.589**	1
	Sig. (1-tailed)	0	0	0.036	0.013	0.084	0.049	0	0	.

** . Correlation is significant at the 0.01 level (1-tailed).

* . Correlation is significant at the 0.05 level (1-tailed).

Table 13 illustrate the correlation metrics of financial metrics for sampled banks during the pre-merger period, showcasing the strength and significance of relationships between various variables. Return on Assets (ROA) has a strong positive correlation with EPS ($r = 0.853$, $p < 0.01$) and moderate correlations with DPS ($r = 0.492$, $p < 0.01$), DY ($r = 0.355$, $p < 0.01$) and EY ($r = 0.614$, $p < 0.01$), indicating that higher profitability aligns with better earnings, dividends and yields. EPS shows strong positive correlations with Net Profit Margin (NPM) ($r = 0.833$, $p < 0.01$) and EY ($r = 0.617$, $p < 0.01$) and moderate relationships with Market Price per Share (MPS) ($r = 0.483$, $p < 0.01$) and DPS ($r = 0.459$, $p < 0.01$) that higher earnings power is a catalyst to profit and market value. MPS has a weak relation with DPS ($r = 0.602$, $p < 0.01$) and the P/E ratio ($r = 0.549$, $p < 0.01$), which means that this statistical measure is based on the included dividend and valuation measures, among other things.

DPS exhibits a strong positive correlation with DY ($r = 0.698$, $p < 0.01$) and moderate correlations with ROA and EPS, reinforcing its importance as a dividend indicator. DY

has a lower correlation with most of the variables except DPS. This indicates that its main focus of dividend payments than profitability or market prices. Statistics' values for PE ratio related to MPS ($r = 0.302$, $p = 0.022$) and EY ($r = -0.297$, $p = 0.042$) moderately express the other variables' unceasing impact. EY is in strong positive associations with ROA, EPS, and NPM ($r = 0.578$, $p < 0.01$) while there is a negative correlation with MPS ($r = -0.318$, $p = 0.031$) and PE ratio showing its highly useful operation mainly in latching onto profitability compared to confectionary incomes. Non-Performing Loans (NPL) are closely linked inversely with ROA ($r = -0.531$, $p < 0.01$), EPS ($r = -0.688$, $p < 0.01$), DPS, DY, and NPM. The determination is thus mainly the above factors skade the high operational performance figure. Finally, NPM is strongly correlated with EPS ($r = 0.833$, $p < 0.01$) and moderately positively with ROA ($r = 0.721$, $p < 0.01$), DPS ($r = 0.374$, $p = 0.13$), and EY ($r = 0.578$, $p < 0.01$), thereby indicating its effectiveness in terms of generating the overall profit.

The relationship between ROA with EPS, MPS, DPS, DY, PE ratio, EY, NPL and NPM is significant. The relationship of EPS with MPS, DPS, PE ratio, EY, NPL and NPM is significant whereas EPS is insignificant with DY. Similarly, MPS is significant with DPS, PE ratio, NPL and insignificant with DY. The relationship of MPS is significant with EY, NPL, and NPM at 0.05. The relationship of DPS with DY and NPL is significant, also DPS is significant with NPM at 0.05 where the relationship of DPS with PE ratio and EY is insignificant. The relationship of DY with PE ratio and NPM is insignificant. DY is significant with NPL and EY. The relationship of PE ratio with EY, NPL, and NPM is significant. Similarly, the relationship of EY with NPL and NPM is significant. Even NPL is significant with NPM. The combination of these correlations and their p values gives rise to strong relationships and the statistical significance of these financial metrics in the pre-merger period.

Table 14

Correlation Matrix of sampled banks after merger period

		ROA	EPS	MPS	DPS	DY	PE ratio	EY	NPL	NPM
ROA	Pearson Correlation	1.00								
	Sig. (1-tailed)	.								
EPS	Pearson Correlation	.838**	1.00							
	Sig. (1-tailed)	0.00	.							
MPS	Pearson Correlation	.454**	.439**	1.00						
	Sig. (1-tailed)	0.00	0.00	.						
DPS	Pearson Correlation	.602**	.564**	.574**	1.00					
	Sig. (1-tailed)	0.00	0.00	0.00	.					
DY	Pearson Correlation	.540**	.549**	0.14	.843**	1.00				
	Sig. (1-tailed)	0.00	0.00	0.21	0.00	.				
PE ratio	Pearson Correlation	-.427**	-.497**	0.05	-0.23	-.351*	1.00			
	Sig. (1-tailed)	0.01	0.00	0.39	0.09	0.02	.			
EY	Pearson Correlation	.501**	.704**	-0.25	0.13	.466**	.516**	1.00		
	Sig. (1-tailed)	0.00	0.00	0.07	0.24	0.00	0.00	.		
NPL	Pearson Correlation	-.372*	-.309*	-0.17	-.396**	-.337*	.483**	-0.03	1.00	
	Sig. (1-tailed)	0.01	0.04	0.16	0.01	0.02	0.00	0.43	.	
NPM	Pearson Correlation	.580**	.788**	.292*	.468**	.501**	-.355*	.563**	-0.22	1.00
	Sig. (1-tailed)	0.00	0.00	0.04	0.00	0.00	0.02	0.00	0.10	.

** . Correlation is significant at the 0.01 level (1-tailed).

* . Correlation is significant at the 0.05 level (1-tailed).

Table 14 presents Pearson correlation coefficients (r value) and their corresponding significance value (p values) to evaluate relationship between various financial metrics of the commercial banks after the merger. Return on Assets (ROA) shows a strong positive correlation with EPS ($r=0.838$, $p<0.01$) and moderate positive correlations with MPS ($r=0.454$, $p<0.01$), DPS ($r=0.602$, $p<0.01$), and Dividend Yield (DY) ($r=0.540$, $p<0.01$). This suggests that higher ROA is associated with better earning, market performance, and dividends. EPS is positively associated with multiple variables, including MPS ($r=0.439$, $p<0.01$), DPS ($r=0.564$, $p<0.01$), DY ($r=0.549$, $p<0.01$), Earning Yield (EY) ($r=0.704$,

$p < 0.01$), and NPM ($r = 0.788$, $p < 0.01$). Similarly, MPS shows a moderate correlation with DPS ($r = 0.574$, $p < 0.01$) but exhibits weaker relationships with most other variables, reflecting independent nature from core profitability metrics. DPS correlates strongly with DY ($r = 0.843$, $p < 0.01$) and moderately with other metrics like ROA and EPS, highlighting its role as dividend performance indicator.

Also, Dividend Yield (DY) has a negative correlation with the PE ratio ($r = -0.351$, $p = 0.02$) and moderate positive correlations with EY ($r = 0.466$, $p < 0.01$) and DPS, showing its sensitivity to price-based metrics and dividends. The Price-to-Earnings (PE) ratio shows a weak negative correlation with ROA ($r = -0.427$, $p = 0.01$), EPS ($r = -0.497$, $p < 0.01$), and DY indicating higher PE ratio might align with lower profitability. EY exhibits a strong positive correlation with EPS ($r = 0.704$, $p < 0.01$) and moderate correlations with ROA and DY, underlining its linkage to earnings performance. Non-Performing Loans (NPL) correlates negatively with key profitability metrics like ROA ($r = -0.372$, $p = 0.01$), EPS ($r = -0.309$, $p = 0.04$), DPS ($r = -0.396$, $p < 0.01$), suggesting higher NPL ratios harm profitability. Net Profit Margin (NPM) shows a strong positive correlation with EPS ($r = 0.788$, $p < 0.01$) and moderate positive relationships with ROA ($r = 0.580$, $p < 0.01$), DPS, and DY, emphasizing its role as a profitability indicator.

The relationship of ROA with EPS, MPS, DPS, DY, PE ratio, EY, NPL and NPM is significant. Also, the relationship of EPS with MPS, DPS, DY, PE ratio, EY, NPL and NPM is significant. Similarly, MPS is significant with DPS at 0.01 and NPM at 0.05 where MPS is insignificant with DY, PE ratio, EY and NPL. The relationship of DPS with DY, NPL and NPM is significant but it is insignificant with PE ratio and EY. DY is significant with PE ratio and NPL at 0.05 and with EY and NPM at 0.01. PE ratio is also significant with EY, NPL and NPM. However, the relationship of EY with NPL is insignificant and EY with NPM is significant. The relationship of NPL with NPM is insignificant.

4.4 Regression Analysis

Multiple regression analysis may be defined as a statistical method applied to study the relationship between one dependent criterion variable and multiple independent predictor variables. In some applications, this type of analysis is utilized in order to predict the alteration of the dependent variable with changes in independent variables. It can be perceived as how good a predictor your multiple regression is likely to be. It can also be

seen that a multiple determination denotes the per cent variation in dependent variables explained by the regression equation. The regression table provides the result of the constant, the coefficient of determination, and the t-value. The coefficient explains the slope of the regression line and indicates how much change will take place in the dependent variable for 1 unit change in the independent variable. Coefficient of determination (R²) explains how much variation in dependent variable is explained by the independent variable.

Regression Analysis of sampled banks before merger

Table 15

Model summary

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			
						F Change	df1	df2	Sig. F Change
1	.900a	0.81	0.751	0.28646	0.81	13.849	8	26	0

a. Predictors: (Constant), NPM, DY, PE ratio, MPS, NPL, EY, DPS, EPS

Table 15 shows the relationship between Return on Assets (ROA) and several financial predictors (EPS, MPS, DPS, DY, PE ratio, EY, NPL, and NPM) for banks before their merger. The model demonstrates a strong predictive power with an R value of 0.900 and an R² of 0.81, indicating that 81% of the variance in ROA is explained by the selected predictors. The adjusted R² of 0.751 accounts for the number of predictors and the sample size, confirming the model's robustness. The standard error of the estimate is 0.286, suggesting reasonable accuracy in predictions. The significant F-change ($p < 0.001$) confirms the overall model's fit.

Table 16
ANOVA Table

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.091	8	1.136	13.85	.000a
	Residual	2.133	26	0.082		
	Total	11.224	34			

a. Predictors: (Constant), NPM, DY, PE ratio, MPS, NPL, EY, DPS, EPS

b. Dependent Variable: ROA

The analysis of variance (ANOVA) further validates the model in Table 16. The regression sum of squares (9.091) is substantially larger than the residual sum of squares (2.133), indicating that the predictors significantly contribute to explaining the variance in ROA. The model achieves an F-statistic of 13.85 ($p < 0.001$), highlighting its statistical significance.

Table 17
Coefficients Table

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.97	0.576		1.683	0.104
	EPS	0.043	0.016	0.893	2.692	0.012
	MPS	0	0.001	-0.102	-0.33	0.744
	DPS	0.011	0.017	0.207	0.64	0.528
	DY	-0.003	0.064	-0.015	-0.054	0.957
	PE ratio	-0.015	0.008	-0.28	-1.834	0.078
	EY	-0.021	0.072	-0.086	-0.299	0.768
	NPL	0.001	0.018	0.008	0.047	0.963
	NPM	0.002	0.006	0.069	0.413	0.683

a. Dependent Variable: ROA

In Table 17, the coefficients provide insights into the individual predictors' contributions to ROA. Earnings per Share (EPS) has a significant positive effect ($B= 0.043$, $p= 0.012$), indicating that higher EPS is associated with improved ROA. The Price-to-Earnings (PE) ratio has a negative effect ($B=-0.015$) but the impact is insignificant ($p=0.078$). Other predictors, such as Dividend Yield (DY), Market Price per Share (MPS), and Net Profit Margin (NPM), Dividend per Share (DPS), Earning Yield (EY) and Non-Performing Loan (NPL) exhibit non-significant effects ($p > 0.05$), suggesting they may have a minimal direct impact on ROA in this sample.

Regression Analysis of sampled banks after merger

Table 18

Model Summary

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change statistics			
						F Change	df1	df 2	Sig. Change
1	.869a	0.755	0.68	0.25955	0.755	10.013	8	26	0

a. Predictors: (Constant), NPM, NPL, MPS, DY, PE ratio, EY, EPS, DPS

Table 18 describe the relationships between Return on Assets (ROA) and the leading financial indicators (EPS, MPS, DPS, DY, PE ratio, EY, NPL, and NPM) for banks that have merged. The model represents a high power to predict ROA with an R value of 0.869 and an R^2 value of 0.755. Thus, it is argued that the 75.5% of variance in ROA could be explained by the differentiating factors. The R squared adjusted value of 0.68 consists of the levels of complexity in the model and the number of samples, thereby proving the model's reliability. The standard error of 0.259 is a good indicator of prediction. The statistical significance of F-change is therefore ($p < 0.001$), thus representing the statistical validity of the model.

Table 19

ANOVA Table

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.396	8	0.675	10.013	.000a
	Residual	1.752	26	0.067		
	Total	7.148	34			

a. Predictors: (Constant), NPM, NPL, MPS, DY, PE ratio, EY, EPS, DPS
b. Dependent Variable: ROA

The results of the ANOVA test demonstrate that the model is generally significant in Table 19. The regression sum of squares (5.396) being much bigger than the residual sum of squares (1.752) is evidence of the fact that the predictors show a large difference in ROA. An F-statistic of 10.013 ($p < 0.001$) also gives evidence of the joint contribution of the predictors.

Table 20

Coefficients Table

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.26	0.238		1.092	0.285
	EPS	0.088	0.036	1.149	2.476	0.02
	MPS	0	0.001	-0.083	-0.307	0.761
	DPS	0.002	0.029	0.025	0.054	0.958
	DY	0.024	0.079	0.125	0.299	0.768
	PE ratio	-0.047	0.003	-0.002	-0.016	0.987
	EY	-0.043	0.071	-0.257	-0.605	0.55
	NPL	-0.015	0.055	-0.039	-0.272	0.788
	NPM	-0.008	0.006	-0.24	-1.445	0.16

a. Dependent Variable: ROA

Among the predictors, EPS has the highest significant positive effect on ROA, with a coefficient of $B=0.088$ and a significance level of $p=0.02$. This means that the increase in the number of earnings per share is very much associated with better ROA. Other predictors, such as MPS ($B=0.00$), DPS ($B=0.002$), and DY ($B=0.024$), have negligible and statistically insignificant effects on ROA ($p>0.05$). The PE ratio ($B=-0.047$), EY ($B=$

-0.043), NPL (B= -0.015), and NPM (B= -0.008) show negative coefficients. Still, their impacts are statistically insignificant ($p > 0.05$).

4.4 Discussion

This research was done to find the effect of merger and acquisition on Return on asset (ROA) with NPL, DPS, P.E. ratio, MPS, EPS, DY, EY, and NPM on commercial banks of Nepal. Seven commercial banks have been selected for research, namely NMB Bank, Prabhu Bank, Bank of Kathmandu, Nepal Investment Bank, Nepal Credit and Commerce Bank, Global IME Bank and Prime Commercial Bank, which used secondary data for ten years obtained from financial reports in their respective websites from 2013-2023. Multiple academic and various researchers have conducted research related to merger and acquisition of commercial banks, but the previous studies were focused mainly on issues of whether it is needed or not, impact on shareholder wealth, satisfaction position of employee, but there was a space or gap in studying and examining on other parameters. This study was focused on ascertaining the effect of merger and acquisition on the financial performance of selected banks.

The current situation of financial metrics like Earnings Per Share (EPS), Market Price per Share (MPS), Dividend per Share (DPS), Price to Earning (PE) ratio, Dividend Yield (DY), Earnings Yield (EY), Non-Performing Loans (NPL), Net Profit Margin (NPM) and Return on Assets (ROA) revealed a mixed outcomes for the selected commercial banks in Nepal before and after the merger and acquisition over the period. Before the merger, NMB Bank showed the strong financial performance with solid EPS and a favorable MPS. However, after the merger NMB Bank experience reduction in both EPS and MPS, resulting reduced profitability. DPS also decreased, leading to lower DY, suggesting a less favorable return for shareholders. The PE ratio increased indicating higher market valuation despite the drop in earnings. The EY remained stable, while NPL ratios rose, signaling concerns about asset quality. Similarly, ROA declined, highlighting challenges in asset utilization post-merger. Pre-merger, Prabhu Bank show stable performance with positive EPS and a reasonable MPS but after the merger EPS and MPS decreased, signaling lower profitability. On the other hand, DPS vastly increased, thus a higher DY was obtained. The PE ratio leaped up to higher levels, with newer market players despite declining earnings. The bank's EY remained the same while NPL ratio improved to a great extent. Besides a positive NPM also showed a good trend, which implied improved functional efficiency. Bank of Kathmandu showed stable financial performance before

the merger but it experienced significant improvement in profitability after the merger, reflecting rise in EPS and ROA. The MPS declined indicating market skepticism while DPS remained steady, contributing to a higher DY. The PE ratio decreased suggesting more reasonable valuation and NPL ratio increased slightly, indicating manageable credit risk. Before the merger, NCC Bank had strong financial indicators but it experienced a decline in EPS and ROA after the merger, indicating reduced profitability. The MPS also dropped, reflecting lower investor profitability. The DPS decreased, leading to lower a DY. While PE ratio remained relatively stable, the NPL ratio improved slightly, suggesting better asset quality management. Nepal Investment Bank exhibited strong financial metrics before the merger but post-merger it faced a decline in EPS and ROA, indicating reduced profitability. The MPS also fell, reflecting decreased market confidence. Although the DPS decreased, the EY showed a slight improvement. The NPL ratio increased while NPM improved, suggesting better cost management. Global IME Bank showed excellent resilience following the merger in sustaining stable EPS earning and a slow increased in ROA; effective profitability management could have sustained them despite a weak market price per share. The increase in DY indicated the banks improved ability to return cash to its shareholders. On the other hand, Prime Commercial Bank had a somewhat torrid time after the merger, with EPS and ROA falling, a indication of decreased profitability. DPS also fell and DY dropped. Overall, while Global IME Bank managed to sustain its performance, Prime Commercial Bank grappled for profitability and market confidence post-merger.

The second objective of this research is to identify the relationship between independent variable like EPS, MPS, DPS, DY, PE ratio, EY, NPL, NPM and dependent variable ROA after merger and acquisition. Pre-merger, ROA is in strong positive relation with EPS which shows that high earnings per share are significantly associated with good asset utilization. DPS and EY) also relate positively with ROA, indicating that consistent dividend payout and high earnings yield enhance profitability. Conversely, ROA shows a significant negative correlation with NPL, implying that higher non-performing loans erodes Profitability. A positive correlation with NPM suggests that increased levels of net profit margin improve ROA. The weak or insignificant correlations with variables such as MPS, DY, and the PE ratio suggest limited direct effects on asset returns in this period. After the merger, there is continued strong relationship between ROA and several independent variables. The most significant positive correlation is with EPS, highlighting the critical role of earning per share in driving profitability. DPS and DY also strongly

influence ROA, suggesting that consistent dividend and yields contribute to better asset returns. Similarly, NPM remains a strong positive factor. Conversely, NPL retains its negative impact, although weaker than in the pre-merger period, indicating that NPL still hinders profitability. The PE ratio shows a negative relationship, implying that higher valuations may not align with asset efficiency. Weak correlations with MPS and EY suggest a moderate to negligible impact on ROA post-merger. The previous research by Rayamajhi (2023) on Merger and Acquisition on Nepalese Commercial Banking employed regression analysis to assess the relationship between dependent variable and independent variables related to the bank's financial performance and concluded that Merger and Acquisition has positive impact on EPS, MPS and PE ratio and no significant impact on DPR and NPL. The previous research by Baraili (2022) on topic Impact of Merger and Acquisition on Financial Performance of Nepalese Commercial Banks showed that ROA is positively correlated with DPS and DY but negatively correlated with EPS, MPS, NPL, PE ratio and DPR. The previous articles by Mussah, Abdulai and Baffour (2020) on The Effects of Mergers and Acquisitions on Bank Performance in Ghana collected 10 years period data from the annual reports of eight commercial banks and used correlation analysis, regression analysis to analyze the data. The study concluded that mergers and acquisitions have negative effect on Net Profit Margin and positive effect on Return on Assets (ROA) and Return on Equity (ROE).

The third objective of this research is to know about the impact of EPS, DPS, MPS, DY PE ratio, EY, NPL and NPM on ROA of the 7 sampled banks after merger and acquisition. Prior to the merger, EPS was positively associated with ROA, suggesting that an increase in EPS positively impacted the utilization of assets. The MPS and DPS also exhibited a positive relationship with ROA, thereby suggesting that both investor confidence and return to the shareholders were in harmony with the bank's profitability. The PE ratio was somewhat less significant, suggesting that high valuations were apart of efficient management of assets. However, the NPL ratio of the banks negatively affected ROA, indicating that an increase in non-performing assets invariably lead to a decline in profitability. Post-merger, the relationship between these metrics and ROA continued to evolved. EPS influenced ROA, thereby proving the relevance of earnings as central for the interpretation of bank performance. Dividend payment of DPS and DY stocks now came to carry a greater significance, as regular dividends and yields are opportunities for enhances ROA. NPL continued to prevent ROA from hyping in full measure, yet it

contracted slightly after the merger. NPM came to also represent a quality input as it closes off positively with ROA where it shows how cost strategies would gain visibility after merger alignment. The previous research by Neupane (2021) on title Impact of Merger and Acquisition on Financial Performance of Commercial Banks in Nepal found that Merger and acquisition have positively impact on the earning efficiency of the banks, leading to higher returns for shareholders in terms of EPS. Likewise, research by Rayamajhi (2023) on topic Merger and Acquisition on Nepalese Commercial Banking shows that EPS is influenced by ROA and differ significantly among the banks. The articles by Fatima and Shehzada (2014) on An Analysis of Impact of Merger and Acquisition on Financial Performance of Banks: In case of Pakistan indicates that the mergers and acquisitions does not significantly affect the Earnings per share for banks in Pakistan. It was found that only the return on Equity showed notable change post-merger, with EPS remaining relatively stable.

Generally, this research found that merger and acquisition help sampled banks to improve the following areas, their fundamentals give competitive advantage in the market and help to diversify investment in different sectors. Previous studies also highlighted that there is some improvement in financial indicators of banks after merger and acquisition. The variation in results with previous studies may be due to differences in sample banks and data periods. The present study is an extension of those studies by increasing the number of firms sampled and the years evaluated. This research examines the relation of EPS, MPS, DPS, DY, PE ratio, EY, NPL and NPM to ROA as a dependent variable that can be useful for further research to analyze the merger and acquisition of banks. This research only included data from 2013-2023; however, merger and acquisition had been happening before that period, so results only reflect the relationship between dependent and independent variables in sampled periods. Likewise, this research could not include the effect of recent merger and acquisition in sample banks like Prabhu Bank merges with Century Commercial Bank, Bank of Kathmandu with Global IME Bank, NCC Bank with Kumari Bank to form.

CHAPTER-V

SUMMARY AND CONCLUSION

This chapter summarizes the entire study and focuses on its key conclusion. Furthermore, a distinct section of this chapter discusses the main results, which are followed by some implications and suggestions pertaining to mergers and acquisitions in the banking industry in Nepal. The chapter concludes by outlining the extent of upcoming studies in the same area.

5.1 Summary

The study provides a comprehensive analysis of the impact of mergers and acquisitions on the financial performance of selected commercial banks in Nepal. It begins with an introduction to the significance of merger and acquisition in the banking sector, emphasizing its role in enhancing competitiveness, market share and overall efficiency amid an increasingly globalized financial landscape. The study's objectives are clearly outline, focusing on evaluating the liquidity and profitability of the banks before and after the mergers, examining the relationship between various financial metrics, and analyzing the impact of merger and acquisition on earning per share (EPS). The methodology section describes the use of quantitative research design, employing secondary data from financial reports of selected banks over ten-year period (2013-2023). Key financial indicators such as return on assets (ROA), Earning per share (EPS). Market per Share (MPS), Dividend per Share (DPS), Net profit margin (NPM), and Non-performing Loans (NPL) are utilized for analysis.

Findings from the data analysis reveal mixed results regarding the financial performance of banks post-merger. While some banks such as Bank of Kathmandu, showed improvements in ROA and EPS, others like NMB Bank experienced declines in profitability and increased in credit risk. The analysis demonstrates a strong positive correlation between ROA and EPS, indicating the higher earnings contribute to better asset utilization. However, increased NPL ratios negatively impacted profitability. The study concludes by highlighting the complexities and challenges associated with merger and acquisition in the banking sector. Despite the potential for improved financial health and market positioning, many banks faced integration difficulties, leading to declines in key performance metrics. The findings underscore the need for strategic planning and

effective management during merger process to realize the anticipated benefits of merger and acquisition.

The study assesses the liquidity and profitability position of selected banks, noting that while some banks experienced improvements in certain metrics post-merger, overall profitability often declined. For instance, Global IME Bank showed recovery in ROA from 1.19% pre-merger to 1.35% post-merger, but its market price per share (MPS) decreased, indicating a loss of market confidence. Earnings per share varied among banks, with some experience declines post-merger. For example, EPS for Global IME Bank decreased slightly from 20.72 to 20.64. The study found that EPS had a significant positive effect on return on assets (ROA), indicating higher earnings are associated with better asset utilization. The correlation analysis revealed strong positive relationships between ROA and EPS, as well as between ROA and NPM. However, non-performing loans (NPL) showed negative correlation with ROA, suggesting that higher NPL ratios adversely affect profitability.

Multiple regression analysis indicated that EPS was a significant predictor of ROA, while other predictors like MPS and NPL did not show significant direct impacts. The models demonstrated strong predictive power, with R^2 values of 0.81 before the mergers and 0.755 after indicating a substantial portion of the variance in ROA could be explained by the selected financial indicators.

5.2 Conclusion

In today's economic world, the banking system stands as the most important aids to trade; there is no business without the intervention of the banking system. It is essential for the banks to measure their performance and efficiency in comparison to the other bank to bring changes take place in the present system. This study depicts that the effects of merger and acquisition in the sampled banks are different from each other, and the study presents a picture of the shortcomings of the banks where they need improvement.

The study concludes that mergers and acquisitions in the Nepalese banking sector have a complex impact on financial performance, with varying outcomes across different banks. While some banks, like Bank of Kathmandu, demonstrate improvements in return on assets (ROA) and earnings per share (EPS) post-merger, others, such as NMB Bank and

Nepal Investment Bank, experienced declines in profitability and market confidence, as reflected by decreased market price per share (MPS), and increases in non-performing loans (NPL). The analysis reveals a strong positive correlation between EPS and ROA, indicating that higher earnings tend to enhance asset efficiency. However, the study also highlights significant challenges in achieving the anticipated benefits of mergers and acquisitions, such as improved liquidity and profitability, as many banks faced integration issues and market skepticism. Ultimately findings suggests that while mergers and acquisitions can provide opportunities for growth and efficiency, careful management and strategic planning are essential to realize their full potential in enhancing financial performance.

5.3 Implications

Based on the findings of the study, it is imperative to make recommendations in order to maximize merger and acquisition benefits. The implications of the study extend across various sectors, each benefiting from the insights gained regarding mergers and acquisitions in the banking sectors:

- The study provides the valuable insights for various stakeholders in the banking sector, including policymakers, bank management, and investors. For policymakers, the findings underscore the necessity of establishing robust regulatory framework that facilitate successful mergers and acquisitions while ensuring the stability of the financial system. This includes guidelines that promote transparency and due diligence during the mergers and acquisitions process to mitigate risks associated with integration challenges.
- For bank management, the study highlights the importance of strategic planning and effective management of the integration process post-merger. Banks should focus on aligning corporate cultures, optimizing operational efficiencies, and maintaining clear communication with stakeholders to enhance the likelihood of achieving desired financial outcomes. Additionally, the research suggests that management should be prepared to address potential declines in profitability and market confidence during the initial post-merger period.
- Investors can also draw important lessons from the study, particularly regarding the evaluation of merger and acquisitions activities. Understanding the potential risks and benefits associated with mergers can inform investment decisions and

expectations about future financial performance. The study emphasizes the need for investors to closely monitor financial indicators such as ROA, EPS, and NPL ratios to assess the long-term viability of merged entities.

- For regulatory authorities, the study highlights the importance of creating comprehensive guidelines that govern merger and acquisitions activities. This includes ensuring that banks maintain adequate capital levels and manage risks effectively to prevent systemic issues. Regulatory bodies can use the findings to refine policies that promote healthy competition while safeguarding the stability of the financial system.
- The study contributes to the body of knowledge surrounding mergers and acquisitions, providing foundation for further research in this area. Academic institutions can use the findings to explore additional dimensions of mergers and acquisitions, such as the qualitative aspects of integration and the long-term effects on organizational performance across different sectors.

Overall, the study advocates for a balanced approach to mergers and acquisitions, encouraging a thorough assessment of both financial and operational factors to maximize the benefits of consolidation in the banking sector.

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APPENDICES

APPENDIX-I

1. Financial Indicators of NMB Bank Ltd.

NMB Bank Ltd.										
Year/Vari ables	2013/ 14	2014/ 15	2015/ 16	2016/ 17	2017/1 8	2018 /19	2019/ 20	2020/ 21	2021/ 22	2022/ 23
ROA	1.36	1.21	1.49	1.78	1.48	1.83	1.09	1.32	1.35	1.19
EPS	20.5	25.05	27.78	21.40	21.40	18.79	11.18	14.76	17.92	17.55
MPS	515	507	810	359.50	422.50	382	397	440	261	226
DPS	21.05	8.42	20	16.74	29.60	35	16.2	15.8	8.25	0
DY	4.09	1.66	2.47	6.54	7.19	9.16	4.08	3.59	3.16	0
PE ratio	25.13	20.24	29.15	15.79	12.72	16.23	31.45	26.41	14.57	12.88
EY	3.98	4.94	3.43	6.77	7.82	4.92	2.82	3.35	6.87	7.76
NPL	0.55	0.42	1.81	1.13	0.85	0.82	2.68	2.27	1.45	2.75
NPM	16.34	18.42	20.9	21.85	17.05	18.06	11.94	17.45	15.25	11.74
ROE	14.57	16.4	16.25	19.25	13.61	13.32	8.94	12.08	12.95	11.65

(NMB Bank, 2023)

2. Financial Indicators of Nepal Investment Bank Ltd.

Nepal Investment Bank Ltd.										
Year/Var iables	2013/ 14	2014/1 5	2015/1 6	2016/1 7	2017/1 8	2018/ 19	2019/ 20	2020/ 21	2021/ 22	2022/ 23
ROA	2.04	2.26	1.97	2.06	2.13	1.79	1.19	1.56	1.55	0.83
EPS	26.19	23.08	29.3	29.3	35.7	26.4	17	22	20.7	13.9

MPS	647.00	467.00	1040	770	621	519	431	460	265	174
DPS	23.69	23.85	41	40	40	19	18.5	16	11	0
DY	3.19	5.29	3.94	5.19	6.44	3.66	4.29	3.48	4.15	0.00
PE ratio	26.11	18.94	35.5	26.3	17.4	19.6	25.3	20.9	12.8	12.5
EY	3.86	5.51	2.82	3.81	5.75	5.09	3.94	4.78	7.81	7.99
NPL	3.27	2.47	0.68	0.83	1.36	2.78	2.91	2.46	1.49	4.54
NPM	20.73	33.01	47.6	47.1	46.1	39.82	30	42.39	47.07	25.19
ROE	19.46	17.38	15.7	16.6	14.7	13.00	8.90	12.65	12.46	12.36

(NIMB Bank, 2023)

3. Financial Indicators of Prabhu Bank Ltd.

Prabhu Bank Ltd.										
Year/Variables	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ROA	-0.75	1.075	1.64	1.76	0.86	1.29	0.71	0.8	0.82	0.08
EPS	-38.33	4.58	26.75	27.17	12.58	21.03	11.58	13.54	14.97	1.19
MPS	263.00	266	415	406	187	266	221	457	207	160
DPS	0.00	0	0	0	8.42	16.84	10.53	12.63	8	0
DY	0.00	0	0	0	4.5	6.33	4.76	2.76	3.86	0
PE ratio	-2.63	1.41	15.51	14.94	14.87	12.65	19.09	30.13	13.83	134.42
EY	-3.78	4.5	6.45	6.69	6.73	7.91	5.24	2.96	7.23	0.74
NPL	22.19	25.58	8.83	4.55	3.98	3.76	3.15	1.68	1.86	4.98
NPM	-50.27	6.76	44.26	47.78	25.69	31.77	20.11	11.7	10.06	0.87
ROE	-17.50	11.43	17	19.29	7.69	12.45	7.76	10.06	9.93	0.89

(Prabhu Bank, 2023)

4. Financial Indicators of Bank of Kathmandu

Bank of Kathmandu Ltd.										
Year/Variables	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ROA	0.65	1.00	0.82	1.57	1.45	1.88	1.33	1.31	1.65	1.3
EPS	13.25	14.43	14.86	20.69	19.46	23.53	17.09	17.88	21.86	22.06
MPS	564	486	464	462	265	255	219	379	227.1	186
DPS	10.96	18.94	23	13.25	25	17	16	14	20.95	8
DY	1.94	3.71	4.96	2.87	9.43	6.67	7.31	3.69	9.22	4.3
PE ratio	42.56	29.55	31.22	22.33	13.62	10.84	12.81	21.2	10.39	8.43
EY	2.35	3.01	3.2	4.48	7.34	9.22	7.8	4.72	9.63	11.86
NPL	1.06	2.15	2.51	1.29	3.04	1.54	2.28	1.04	1.09	3.15
NPM	15.39	26.81	31.89	40.4	33.74	40.69	32.91	40.7	50.01	33.71
ROE	7.17	9.04	8.42	14.52	15.18	13.84	10.22	10.45	12.66	11.29

(Bank of Kathmandu, 2022)

5. Financial Indicators of Nepal Credit and Commerce Bank Ltd.

Nepal credit and commerce Bank Ltd.										
Year/Variables	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ROA	1.63	1.20	1.90	0.75	1.83	1.15	1.14	0.99	1	0
EPS	17.37	12.92	24.94	14.02	11.83	15.77	10.75	12.9	15.01	0
MPS	418.50	308.00	286.50	383.00	250.00	246	186	367	210.9	0

DPS	26.50	15.90	0.00	0.00	15.89	15	10.27	8	3.37	0
DY	6.81	6.77	0.00	0.00	6.36	6.10	5.52	2.18	1.60	0
PE ratio	24.12	22.43	11.34	27.32	8.72	15.6	15.7	28.45	14.05	0
EY	4.15	4.63	8.86	3.66	4.73	6.41	5.78	3.51	7.12	0
NPL	3.65	1.81	0.66	7.49	3.87	2.78	2.86	1.76	2.17	0
NPM	16.93	16.25	26.94	10.18	18.26	11.75	11.91	13.39	11.51	0
ROE	10.71	9.31	17.28	6.37	15.81	12.04	11.98	8.46	10.11	0

(NCC Bank, 2023)

6. Financial Indicators of Global IME Bank Ltd.

Global IME Bank Ltd.										
Year/Variables	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ROA	1.01	0.99	1.03	1.41	1.49	1.82	1.06	1.21	1.38	1.30
EPS	11.85	11.44	18.84	17.35	17.66	23.47	17.99	19.25	20.84	22.06
MPS	480	376.50	364.52	336.29	223.49	295	239	441	251.40	186.00
DPS	10.50	11.50	14.32	12.20	12.25	12.75	16.00	13.50	13.60	9.00
DY	1.64	2.40	4.50	3.82	5.47	4.32	6.69	3.06	5.41	4.84
PE ratio	55.13	34.14	19.16	23.11	12.86	11.15	13.29	22.90	12.06	8.43
EY	2.17	2.96	6.16	4.90	7.80	7.96	7.53	4.37	8.29	11.86
NPL	1.79	2.04	2.13	1.85	1.05	0.55	1.76	1.41	1.28	3.15
NPM	23.21	19.21	24.26	44.44	30.91	40.72	28.44	34.85	38.03	33.71
ROE	9.93	9.69	10.70	12.10	12.31	18.47	12.88	13.53	13.93	14.19

(Global IME Bank, 2023)

7. Financial Indicators of Prime Commercial Bank Ltd.

Prime Commercial Bank Ltd.										
Year/Va riables	2013/ 14	2014/1 5	2015/ 16	2016/ 17	2017/ 18	2018/ 19	2019/ 20	2020/ 21	2021/2 2	2022/ 23
ROA	1.46	1.63	2.05	1.89	1.86	2.15	1.48	1.72	1.76	1.02
EPS	20.97	23.74	30.11	23.21	18.74	23.6	16.1	20.32	14.94	5.3
MPS	583	455	746	421	218.2 8	278	255	479	265	195
DPS	20	18.95	17.25	27	10.66	16	15	16	4	0
DY	3.43	4.16	2.31	6.41	5.14	5.76	5.88	3.34	1.51	0
PE ratio	27.8	19.16	24.77	18.14	12.48	11.78	15.84	23.57	17.74	36.81
EY	3.6	5.22	4.04	5.51	8.39	8.49	6.31	4.24	5.64	2.72
NPL	2.43	1.83	1.23	0.88	0.55	1	1.48	0.99	1.77	4.85
NPM	16.49	19.14	25.02	22.84	26.81	20.18	16.72	20.42	13.99	4.14
ROE	15.3	17.21	20.65	15.56	13.75	16.4	11.16	13.65	13.36	11.54

(Prime Commercial Bank, 2023)

APPENDIX II

Data of the Variables of the seven commercial banks before merger

Bank's Name	Year	ROA	EPS	MPS	DPS	DY	PE ratio	EY	NPL	NPM
NMB Bank	2013/14	1.36	20.50	515.00	21.05	4.09	25.13	3.98	0.55	16.34
	2014/15	1.21	25.05	507.00	8.42	1.66	20.24	4.94	0.42	18.42
	2015/16	1.49	27.78	810.00	20.00	2.47	29.15	3.43	1.81	20.90
	2016/17	1.78	21.40	359.50	16.74	6.54	15.79	6.77	1.13	21.85
	2017/18	1.48	21.40	422.50	29.60	7.19	12.72	7.82	0.85	17.05
Prabhu Bank	2013/14	-0.75	-38.33	263.00	0.00	0.00	-2.63	-3.78	22.19	-50.27
	2014/15	1.08	4.58	266.00	0.00	0.00	1.41	4.50	25.58	6.76
	2015/16	1.64	26.75	415.00	0.00	0.00	15.51	6.45	8.83	44.26
	2016/17	1.76	27.17	406.00	0.00	0.00	14.94	6.69	4.55	47.78
	2017/18	0.86	12.58	187.00	8.42	4.50	14.87	6.73	3.98	25.69
Bank of Kathmandu	2013/14	0.65	13.25	564.00	10.96	1.94	42.56	2.35	1.06	15.39
	2014/15	1.00	14.43	486.00	18.94	3.71	29.55	3.01	2.15	26.81
	2015/16	0.82	14.86	464.00	23.00	4.96	31.22	3.20	2.51	31.89
	2016/17	1.57	20.69	462.00	13.25	2.87	22.33	4.48	1.29	40.40
	2017/18	1.45	19.46	265.00	25.00	9.43	13.62	7.34	3.04	33.74
Nepal Investment Bank	2013/14	2.04	26.19	647.00	23.69	3.19	26.11	3.86	3.27	20.73
	2014/15	2.26	23.08	467.00	23.85	5.29	18.94	5.51	2.47	33.01
	2015/16	1.97	29.30	1040.00	41.00	3.94	35.50	2.82	0.68	47.60
	2016/17	2.06	29.30	770.00	40.00	5.19	26.30	3.81	0.83	47.10
	2017/18	2.13	35.70	621.00	40.00	6.44	17.40	5.75	1.36	46.10
Nepal Credit and Commerce Bank	2013/14	1.63	17.37	418.50	26.50	6.81	24.12	4.15	3.65	16.93
	2014/15	1.20	12.92	308.00	15.90	6.77	22.43	4.63	1.81	16.25
	2015/16	1.90	24.94	286.50	0.00	0.00	11.34	8.86	0.66	26.94
	2016/17	0.75	14.02	383.00	0.00	0.00	27.32	3.66	7.49	10.18

	2017/18	1.83	11.83	250.00	15.89	6.36	8.72	4.73	3.87	18.26
Global IME Bank	2013/14	1.01	11.85	480.00	10.50	1.64	55.13	2.17	1.79	23.21
	2014/15	0.99	11.44	376.50	11.50	2.40	34.14	2.96	2.04	19.21
	2015/16	1.03	18.84	364.52	14.32	4.50	19.16	6.16	2.13	24.26
	2016/17	1.41	17.35	336.29	12.20	3.82	23.11	4.90	1.85	44.44
	2017/18	1.49	17.66	223.49	12.25	5.47	12.86	7.80	1.05	30.91
Prime Commercial Bank	2013/14	1.46	20.97	583.00	20.00	3.43	27.80	3.60	2.43	16.49
	2014/15	1.63	23.74	455.00	18.95	4.16	19.16	5.22	1.83	19.14
	2015/16	2.05	30.11	746.00	17.25	2.31	24.77	4.04	1.23	25.02
	2016/17	1.89	23.21	421.00	27.00	6.41	18.14	5.51	0.88	22.84
	2017/18	1.86	18.74	218.28	10.66	5.14	12.48	8.39	0.55	26.81
Minimum		-0.75	-38.33	187.00	0.00	0.00	-2.63	-3.78	0.42	-50.27
Maximum		2.26	35.70	1040.00	41.00	9.43	55.13	8.86	25.58	47.78
Mean		1.43	18.57	451.06	16.48	3.79	21.47	4.75	3.48	24.35
Standard deviation		0.57	11.94	186.68	11.26	2.47	10.91	2.30	5.43	17.18

Data of the Variables of the seven commercial banks after merger

Banks Name	Fiscal Year	ROA	EPS	MPS	DPS	DY	PE ratio	EY	NPL	NPM
NMB Bank	2018/19	1.83	18.79	382.00	35.00	9.16	16.23	4.92	0.82	18.06
	2019/20	1.09	11.18	397.00	16.20	4.08	31.45	2.82	2.68	11.94
	2020/21	1.32	14.76	440.00	15.80	3.59	26.41	3.35	2.27	17.45
	2021/22	1.35	17.92	261.00	8.25	3.16	14.57	6.87	1.45	15.25
	2022/23	1.19	17.55	226.00	0.00	0.00	12.88	7.76	2.75	11.74
Nepal Investment Bank limited	2018/19	1.79	26.40	519.00	19.00	3.66	19.60	5.09	2.78	39.82
	2019/20	1.19	17.00	431.00	18.50	4.29	25.30	3.94	2.91	30.00
	2020/21	1.56	22.00	460.00	16.00	3.48	20.90	4.78	2.46	42.39

	2021/22	1.55	20.70	265.00	11.00	4.15	12.80	7.81	1.49	47.07
	2022/23	0.83	13.90	174.00	0.00	0.00	12.50	7.99	4.54	25.19
Prabhu Bank	2018/19	1.29	21.03	266.00	16.84	6.33	12.65	7.91	3.76	31.77
	2019/20	0.71	11.58	221.00	10.53	4.76	19.09	5.24	3.15	20.11
	2020/21	0.80	13.54	457.00	12.63	2.76	30.13	2.96	1.68	11.70
	2021/22	0.82	14.97	207.00	8.00	3.86	13.83	7.23	1.86	10.06
	2022/23	0.08	1.19	160.00	0.00	0.00	134.42	0.74	4.98	0.87
Bank of Kathmandu	2018/19	1.88	23.53	255.00	17.00	6.67	10.84	9.22	1.54	40.69
	2019/20	1.33	17.09	219.00	16.00	7.31	12.81	7.80	2.28	32.91
	2020/21	1.31	17.88	379.00	14.00	3.69	21.20	4.72	1.04	40.70
	2021/22	1.65	21.86	227.10	20.95	9.22	10.39	9.63	1.09	50.01
	2022/23	1.30	22.06	186.00	8.00	4.30	8.43	11.86	3.15	33.71
Nepal credit and commerce bank ltd.	2018/19	1.15	15.77	246.00	15.00	6.10	15.60	6.41	2.78	11.75
	2019/20	1.14	10.75	186.00	10.27	5.52	15.70	5.78	2.86	11.91
	2020/21	0.99	12.90	367.00	8.00	2.18	28.45	3.51	1.76	13.39
	2021/22	1.00	15.01	210.90	3.37	1.60	14.05	7.12	2.17	11.51
Global IME Bank	2018/19	1.82	23.47	295.00	12.75	4.32	11.15	7.96	0.55	40.72
	2019/20	1.06	17.99	239.00	16.00	6.69	13.29	7.53	1.76	28.44
	2020/21	1.21	19.25	441.00	13.50	3.06	22.90	4.37	1.41	34.85
	2021/22	1.38	20.84	251.40	13.60	5.41	12.06	8.29	1.28	38.03
	2022/23	1.30	22.06	186.00	9.00	4.84	8.43	11.86	3.15	33.71
Prime Commercial Bank	2018/19	2.15	23.60	278.00	16.00	5.76	11.78	8.49	1.00	20.18
	2019/20	1.48	16.10	255.00	15.00	5.88	15.84	6.31	1.48	16.72
	2020/21	1.72	20.32	479.00	16.00	3.34	23.57	4.24	0.99	20.42
	2021/22	1.76	14.94	265.00	4.00	1.51	17.74	5.64	1.77	13.99
	2022/23	1.02	5.30	195.00	0.00	0.00	36.81	2.72	4.85	4.14
Minimum		0.08	1.19	160.00	0.00	0.00	8.43	0.74	0.55	0.87

Maximum	2.15	26.40	519.00	35.00	9.22	134.42	11.86	4.98	50.01
Mean	1.30	17.15	294.89	12.24	4.14	20.99	6.26	2.25	24.45
Standard deviation	0.41	5.31	104.04	7.13	2.36	21.23	2.55	1.13	13.27

$$\text{Mean } (\bar{X}) = \frac{\text{Summation of the values}}{\text{Number of Observation}}$$

$$\text{Standard deviations } (\sigma) = \sqrt{\frac{\sum (X - \bar{X})^2}{n}}$$

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ABSTRACT The objectives of the study focus on the impact of mergers and acquisitions on the profitability position of selected commercial banks in Nepal. It outlines the significance of merger and acquisitions as a strategy for banks to enhance their competitiveness and financial stability in a rapidly evolving market. The study aims to evaluate the liquidity and profitability of these banks before and after merger and acquisitions, examining various financial metrics such as Return on Assets (ROA), Earnings per Share (EPS), Market Price per Share (MPS), Dividend per Share (DPS), and others. The study takes a seven commercial banks like NMB Bank Ltd., Prabhu

Bank Ltd., Bank of Kathmandu **Ltd** ., Nepal Investment **Bank Ltd** ., Nepal Credit **and Commerce Bank Ltd** .,
Global IME **Bank Ltd. And** Prime Commercial **Bank Ltd**